



Daily Report

Central Eurasia

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Work on Economic Integration Package Begins

LD2308183194 Moscow INTERFAX in English 1542
GMT 23 Aug 94

[From the "Presidential Bulletin" feature: Compiled by Nikolay Zherebtsov, Andrey Petrovskiy, edited by Vladimir Shishlin]

[Text] CIS government experts are working on a package of agreements for greater CIS economic integration to be discussed by the organization's working bodies soon.

Preliminary discussions of the package will be held at the level of CIS vice-premiers when the organization's coordinating- consultative committee (CCC) meets in Moscow on September 7.

They are expected to consider the draft of a payment union agreement which regulates the circulation and convertibility of CIS currencies and provides for a coherent system of settlements for CIS goods and services.

The CCC is also expected to propose amendments to the 1992 Customs Union Agreement which one CIS expert described as being still-born. He said it was more of a protocol of intent than a fully-fledged agreement. The amendments provide for the creation of a free trade area throughout the Commonwealth and gradual transformation of the Customs Union into an EU-style arrangement.

CIS prime ministers are scheduled to meet at Moscow's President- Hotel on September 9 to discuss the question of deeper CIS economic integration ahead of a CIS summit next month. Its date and venue are yet to be disclosed. Earlier, the summit was planned for the resort city of Sochi on September 9, but postponed on a proposal by some CIS states.

ITAR-TASS Carries Press Review for 24 Aug

LD2408062894 Moscow ITAR-TASS in English 0514
GMT 24 Aug 94

["Press Review"—ITAR-TASS headline]

[Text] Moscow August 24 TASS—Today's newspapers focus on the situation in Chechnya. The ROSSIYSKAYA GAZETA writes that the image of Ruslan Khasbulatov, a peace-keeper and mediator in Russo-Chechen talks, is fading before one's very eyes. His supporters find it increasingly difficult to organize meetings with "common people" who regard Khasbulatov as their leader and gave him 99 per cent support in his criticism of Dudayev.

In recent days, several meetings have been disrupted in a number of settlements, the newspaper says. It points out that the administration and Chechen elders for fear of the confrontation of the nation do their best to this end. Among the rural population statements are popular,

made by Khasbulatov's opponents, alleging that Khasbulatov in a bid to persuade Chechens not to secede from the Russian Federation, seeks to enter the White House again through Chechnya, completing his own political game with Yeltsin.

NEZAVISIMAYA GAZETA writes that in the opinion of the authorities, the anti-Dudayev opposition shows no signs of political ambitions. The only apparent opponent to the Chechen president, Ruslan Khasbulatov, who continues to live and work outside the Nadterechny region, held two rallies in the regional centers of Shali and Urus-Martan. Reports which came to the authorities said that Khasbulatov's meetings with the people were held on the outskirts of settlements and the turnout was not rather low.

The newspaper TRUD writes that Grozny has little fear of the activities of the temporary council led by Umar Avturkhanov. Khasbulatov's supporters, with their big number and resoluteness, are much more dangerous to the present authorities. It was these people who made an ultimatum to Dzhokhar Dudayev, demanding that he abandon his post. It's difficult to predict yet what they might do if the situation develops otherwise. Grozny residents are extremely concerned about developments looming ahead.

"For whom the bell tolls, Dzhokhar Dudayev or the opposition?," asks the newspaper KRASNAYA ZVEZDA. Observers are rather skeptical about Dudayev's prospects. His attempts to get Russia involved into an armed conflict are futile and he seems to begin to realize it. Of course, it is possible to sit down at the negotiating table, but Dudayev will never agree to negotiations. Neither he will resign. Consequently, there is only one variant left... It is difficult to get rid of the feeling that both Dudayev and the opposition are considering only this variant," the newspaper said.

The newspaper IZVESTIYA writes that in the struggle for power in Chechnya between different forces tanks remain a tangible argument. It is not accidental that one or the other side declare from time to time that the Shalin tank regiment has taken its side, and denies a similar statement made by the other side. Meanwhile, armoured troops are displaying their combat capacity at a tank test site, the newspaper said.

The ROSSIYSKAYA GAZETA carries an interview with Vice- President of the Russian Academy of Sciences, Professor Vladimir Pitersky, who said that as a result of the disintegration of the former Soviet Union, economic and transport ties were disrupted and the security system was destroyed, including industrial and strategic raw material complexes. As a result, Russia became economically and technically dependent on former Soviet republics, and a number of complexes of mineral and raw materials remained outside the Russian Federation. To resolve the problem of mineral and raw materials, the scientist believes it is expedient to integrate, primarily, with CIS states and countries of the

former socialist bloc. Until now, these countries still depend on a single system of production of technical facilities for prospecting for and mining industries. At the same time, these countries possess all kinds of mineral resources, and therefore, such a union will have a tangible weight on the world market of mineral and raw materials," the newspaper said.

The NEZAVISIMAYA GAZETA carries a big analytical article about alarming tendencies in the Russian Army. According to Yuriy Deryugin, candidate of philosophical sciences, the deterioration of the financial position of officers and poor prospects for the solution of this problem in the near future, the absence of the system of social welfare for servicemen against the background of sharp social polarisation are fraught with growing tension among the military and in the long run, with a social explosion in the army.

NOVAYA YEZHEDNEVNAYA GAZETA published a statement made by General Lebed, commander of the 14th Russian Army stationed in the Dniester region, who pointed out that he would not let the army be taken to pieces and that he would do his best not to waste three years left for the army's existence on the Dniester.

ROSSIYSKIYE VESTI carries an interview with Vice-Premier of the Russian Government, Yuriy Yarov, who does not rule out that the situation in autumn will be

difficult, with strikes and demands for more money, as a result of which the government will again have to sacrifice the social sector and curtail its funds.

The newspaper published an interview with the Russian Justice Minister Yuriy Kalmykov, who declared that unfortunately, he could not give a positive assessment of the legal situation in the country. Although the constitution stipulates that the Russian Federation is a democratic, federal and law-governed state, much will have to be done yet so that Russia become a genuinely democratic, federal and law-governed state, he said.

PRAVDA publishes an interview by the Ukrainian President Leonid Kuchma who said that Ukraine needs peace, accord, patience mutual concessions and hard work as much as air. Only in this way Ukraine can foster its statehood. The involvement of religious leaders and confessions in political conflicts is acquiring a dangerous character. Confrontation arises tension in regions. Destroys families and is fraught with political and social clashes. In this wrong politics the role played by some political forces and their leaders is odious. One should have no doubt that instigations to clashes between confessions made by a number of councils' leaders and leaders of social and political organisations will be resolutely cut short, Kuchma said.

Cooperation Memorandum Signed With Germany

LD2208154894 Moscow INTERFAX in English 1320
GMT 22 Aug 94

[Text] As a result of three-day talks, the director of the Russian Federal Counterintelligence Service (FCS), Sergey Stepashin, and the state minister in the German federal chancellor's staff, Bernd Schmidbauer, who is responsible for coordinating the activities of special services, have signed a memorandum whose contents have not yet been published.

The text of the document will be made public as soon as the leaders of the two countries, Boris Yeltsin and Helmut Kohl, study the results of the talks.

According to a communique released on the results of the talks, the two sides agreed that the illegal circulation of nuclear materials, wherever they came from, represented a danger and that wider and closer cooperation was needed to prevent and punish illegal activities in this area.

The two nations confirmed their readiness to broaden bilateral ties and develop long-term cooperation.

The two delegations agreed on specific steps designed to expand bilateral cooperation as stipulated in the memorandum.

At a briefing in Moscow today, Stepashin described the document as "very serious" and pointed out that the main result of the three-day work was "specific work on latest incidents with uranium and plutonium rather than mutual accusations or search for enemies and opponents, as on the eve of Boris Yeltsin's visit to Germany."

As was reported earlier this month, the Munich airport detained passengers from Moscow who were carrying several hundred grams of weapon-grade plutonium. The German special services said they knew about other leakages of nuclear materials.

"We will work jointly on a number of incidents, including with operative methods," Stepashin told the briefing.

Stepashin said Schmidbauer had named several persons involved in the Munich incident during their meetings. The investigation of the incident, including the interrogation of the persons, will also be joint.

Stepashin said Schmidbauer had invited him to Bonn this September or October to continue the talks. Stepashin hoped that the Russian and German special services will cooperate in future in the fight against nuclear leakages, corruption, organized crime, international terrorism, etc. And called on other states to join the Russian-German initiative.

Leadership Approves of Nuclear Smuggling Memo

LD2408101594 Moscow ITAR-TASS World Service
in Russian 0845 GMT 24 Aug 94

[By ITAR-TASS correspondent Olga Semenova]

[Text] Moscow, 24 Aug—"Both sides believe it is vitally important to halt international trafficking in nuclear and radioactive materials, irrespective of where they originate, by all possible means," says the Russo-German memorandum signed in Moscow on 22 August by Sergey Stepashin, the director of the Federal Counterintelligence Service [FSK] of the Russian Federation, and Bernd Schmidbauer, minister of state in the federal chancellor's office. This was disclosed at today's briefing by Aleksandr Mikhailov, head of the FSK's public relations center.

Under the agreement, each side informed the respective leaders, Chancellor Helmut Kohl of the FRG and President Boris Yeltsin of the Russian Federation, of the contents of the document. Both statesmen have positively assessed the results of the talks and the specific measures of cooperation between the two countries' special services "in the struggle against international organized crime, terrorism, and the international smuggling of nuclear and radioactive materials," which were agreed on in the memorandum.

As can be seen from the document made public in Bonn on Tuesday and in Moscow today, a special agreement will be concluded on this issue. In addition, a special mission will be opened in each of the countries to coordinate actions in this sphere. Germany and Russia will also be the initiators of multilateral cooperation in the sphere of combatting illegal international trading in nuclear materials. For this purpose, they intend to make joint efforts "to set up an international system of mutual information concerning such incidents."

At the same time, the aim will be to discover not only the origin of these materials, but the ways and means by which they are transported, as well as to find out the identities of the final purchasers. Competent bodies will immediately analyze the confiscated nuclear material for their radioactive isotope content, and immediately inform the other side of the results, stresses the memorandum.

An accord has been reached to carry out joint analysis to determine the origin of the nuclear materials, this analysis "being conducted in the laboratory of the country in whose territory the nuclear material was confiscated."

According to Mikhailov, the Russian leadership viewed with approval the talks held in Moscow between the authorized representatives of Russia and Germany. A KRIM-TASS correspondent found out from well-informed sources that the Russo-German agreement referred to in the memorandum may be signed as early as September-October, during the return visit of the Russian delegation to Germany.

Further on Kurchatov Center Briefing

LD2308180394 Moscow NTV in Russian 1500 GMT
23 Aug 94

[Video report by Yelena Masyuk]

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[Text] New reports are appearing in Moscow on the radioactive substance detained at Munich airport which, some reports allege, was manufactured in the Moscow Kurchatov center. This was denied at a news conference today. A representative of this world-famous nuclear center said that following various allegations by foreign representatives, the institute has carried out an urgent inspection of the plutonium and the uranium stored in the center. This shows that nothing is missing.

Academician Ponomarev-Stepnoy, vice president of the Kurchatov center, also cited today the factual evidence used by the German side to put forward his version of the events.

The man who was detained at the German airport with the dangerous substance also possessed two business cards of leading experts of the Kurchatov center. Moscow does not regard this as ominous. Staff members of the institute are not banned from contacts with foreigners.

As for the confiscated substance itself, the exact results of the examination are not yet known. It is known, however, that the vial that went from Moscow to Munich contained a mixture of plutonium and uranium. This mixture is called (moks). The price of one gram of this mixture is \$20. The vial contained 6 grams. In other words, the market price of the vial detained at Munich airport is \$120.

Mr. Ponomarev-Stepnoy also cited International Atomic Energy Agency international rules according to which containers with less than 15 grams of uranium are not considered in international practice at all. According to him, the (moks) technological mixture is not manufactured in Russia industrially, although its manufacture in a laboratory is possible.

Therefore, precise information on the chemical and physical contents of the vial confiscated at Munich airport is not yet available. The German side is conducting the investigation. The president of the Russian Federation and the German chancellor will learn the results of the examination before anybody else.

It is strange that Germany is inciting the masses on the issue of the illegal exports of radioactive substances, the vice president of the Kurchatov center said in an exclusive interview with NTV. He thinks there are two reasons behind this:

[Begin Ponomarev-Stepnoy recording] There is practical interest and political interest. [end recording]

Schmidbauer Talks Fail To Resolve Plutonium Origin

LD2308164694 Moscow ITAR-TASS World Service in Russian 0759 GMT 23 Aug 94

[by ITAR-TASS correspondent]

[Text] Moscow, 23 Aug—The atmosphere at the bilateral talks on the illegal international traffic in nuclear materials, which were held in Moscow from 20 to 22 August during the visit to the Russian capital by German Plenipotentiary Representative Bernd Schmidbauer, was described as friendly and constructive in a press release issued today by the German Embassy to the Russian Federation. President Yeltsin authorized Sergey Stepashin, member of Russia's Security Council and director of the Federal Counterintelligence Service [FSK], to represent Russia at the talks with Schmidbauer, who is minister of state in the federal chancellor's office.

The two sides acknowledged that smuggling of nuclear materials poses a serious threat, no matter where it originates from. Therefore, it is essential to expand and intensify cooperation in preventing and putting a stop to criminal activities of this kind. Specific steps aimed at improving the effectiveness of bilateral cooperation in this area were set out in the memorandum signed by the two sides.

In addition to the talks held from 20 to 22 August with Sergey Stepashin, the coordinator of the German special services had a meeting on 22 August with Academician Yevgeniy Primakov, director of Russia's Foreign Intelligence Service. According to Tatyana Samolis, press secretary to the head of the service, the talks were held at Schmidbauer's request and digressed slightly from the main purpose of his mission. The principal topic was "cooperation" for the common good between the two countries' intelligence services. ITAR-TASS was told by informed sources, Schmidbauer was also interested to hear the views of an influential Russian state official on many other "general political" issues, in the light of the forthcoming visit by President Yeltsin to Germany.

It was the common view of the participants in the talks and meetings, including the representatives of special services from both countries, that the visit was useful and timely in spite of the unfortunate background against which it took place (the German authorities discovered several consignments of weapons-grade plutonium which were allegedly manufactured in Russia) and the very unfriendly campaign in the western media. Direct working contacts were established on specific operational cases. This should lead to tangible results.

It was only the experts drawn into the talks on both sides who were not entirely happy. German scientific officials felt a certain embarrassment at the failure of their evidence to convince Russian colleagues. Our own specialists are indignant at the reluctance of politicians and journalists to heed their authoritative view that the plutonium samples do not come from Russian nuclear weapons. Yevgeniy Mikerin, head of the scientific and technical directorate responsible for nuclear and chemical matters at the Ministry of Atomic Energy, reiterated this point quite firmly in an interview with ITAR-TASS after the signing of the memorandum at the FSK.

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Thus, Schmidbauer's visit was a success, but there has still been no official answer to the question of whose plutonium-239 was seized at Munich airport.

Scientist Says Munich Plutonium Non-Russian

LD2308173294 Moscow INTERFAX in English 1556
GMT 23 Aug 94

[Text] The nuclear fuel confiscated in Munich cannot be used for making nuclear weapons and was produced outside Russia, the vice president of the leading Russian nuclear center - the Kurchatov Institute - told a news conference in Moscow on Tuesday.

Nikolay Ponomaryov-Stepnoy said he fails to see why anyone would steal or smuggle a substance only used as fuel for nuclear reactors and costing a mere \$20 per gram. He said this mixture of oxides of plutonium and uranium is used in France, Germany and Belgium.

Ponomaryov-Stepnoy said Russia is only taking the first steps towards using this kind of fuel and has not built a single plant producing it. He believes learning what country the fuel is from should not prove difficult. "This is comparable to identifying fingerprints," he said.

Ponomaryov-Stepnoy said that on the basis of the data supplied by "competent bodies" he has already managed to establish the country that manufactured the plutonium, but refused to name it, while stressing that the fuel was not made in Russia.

The scientist was surprised that the smuggling of nuclear materials is reported only by Germany. Earlier Germany kicked up a storm over so-called red quicksilver, now it is fanning hysteria over plutonium, he said.

Origin of Plutonium 'Still Has To Be Proved'

MM2308122794 Moscow ROSSIYSKAYA GAZETA in Russian 23 Aug 94 First Edition p 2

[Article by Boris Filippov: "Cheating Over Plutonium"]

[Text] The scandal raised by Western mass media over the delivery of nuclear materials to Germany from Russia appears to be quite groundless.

The point is that a container of materials really was discovered by the German police at Munich Airport in the baggage of an aircraft that had arrived from Moscow. But analyses made in Germany itself have confirmed that the nuclear materials certainly are not of Russian origin. Where they were manufactured still has to be determined.

The talks which Bernd Schmidbauer, state minister in the federal chancellor's department, is holding in Moscow with Russian officials are not providing the answer to this either.

The origin of the consignment of plutonium-239, allegedly exported from Russia through Sheremetyevo Airport, still has to be proved. This can only be done after a

thorough expert appraisal and study of the evidence, which the German side is ready to present. This was how Tatyana Samolis, press secretary to the director of Russia's Foreign Intelligence Service, commented on the campaign mounted in Western mass media to accuse Russia of being incapable of ensuring reliable control over its nuclear materials. In none of the previous incidents connected with a leak of fissile nuclear materials has their "Russian" origin been proved.

Meanwhile new details and versions connected with the appearance of nuclear materials in Germany have begun to appear in the press. It is pointed out that this was the result of uncoordinated actions by police agents. The FRG citizen arrested in Bremen last Friday when attempting to sell two grams of a radioactive material to a secret agent of the land department for criminal affairs in the city of Hamburg, who was playing the part of a "buyer," himself turned out to be an employee of the same department, only from Bremen. This was reported on Bremen radio.

A contraband deal involving six grams of highly radioactive plutonium-239, uncovered by the police in Baden-Wuerttemberg in May of this year, might have been carried out on North Korea's instructions.

Cologne's EXPRESS points out directly that this is borne out, as it learned from reliable sources in Baden-Wuerttemberg land police organs, by payment authorizations to a sum total of 150 million German marks. They were found on Adolf Yekle [surname as transliterated], a small businessman whose garage contained a sample quantity of a nuclear substance. Millions of marks from the DPRK were intended to pay for the main consignment of plutonium.

Articles have appeared which maintain that the nuclear materials were destined for Pakistan, which has virtually suspended fulfillment of its nuclear program owing to a shortage of fissile materials.

So, there is the fact that nuclear materials have appeared on the "black market," and versions are being advanced with regard to whom they were destined for, but nobody can say absolutely definitely at present where they were produced.

It would be possible to end this matter here, but the question arises: Who has benefited from dragging Russia into this scandal?

Nuclear Scandal To Upset Ties With Germany

LD2308123794 Moscow INTERFAX in English 1131
GMT 23 Aug 94

[Text] Vladimir Klimenko, the chief of staff to the Russian president's national security advisor Yuriy Baturin, said that the problem of smuggling nuclear materials from Russia to Germany is being used by "third forces in an attempt to restore the Berlin wall between the two countries."

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"It is not the first time a fuss is being made about the alleged smuggling of plutonium from Russia to Germany," Klimenko told Interfax on Tuesday. Although the checks had given lie to all these allegations, the problem was still being raised again and again, he said. He also said that this question is always discussed on the eve of Russian-German summit contacts.

He said that besides the Russian and German special services, there are other special services in the world with totally different interests. Some states and their special services oppose growing friendship between Russia and Germany, he said.

Klimenko also maintained that the latest scandal was aimed not only at complicating Russian-German relations, but also at putting Russia's nuclear and military industries under control.

Revised Plutonium, Uranium Thresholds for Bombs Viewed

MM2408085994 Moscow IZVESTIYA in Russian 23 Aug 94 p 3

[Report by Melor Sturua: "Small Modern Bomb Would Even Fit into a Pocket"]

[Text] Minneapolis—Scientists from the U.S. council for the protection of national resources have questioned the official figures for the level of uranium and plutonium needed to produce nuclear bombs. These levels were set many years ago by the International Atomic Energy Agency [IAEA]: To create one nuclear weapon it was considered necessary to have 8 kg of uranium-235 or 25 kg of enriched uranium-235 and also 8 kg of plutonium.

The U.S. council for the protection of national resources claims that even at the time these "threshold" figures were adopted they were already too high. This was done deliberately to "guard against temptation" on the part of nonnuclear countries and terrorist organizations, frightening them off with impressive figures for the fissionable materials needed to create nuclear bombs.

Scientific and technical progress in the field of creating nuclear weapons dramatically lowered the IAEA's "threshold" figures. Half a century of experimental work has led to the substantial miniaturization of nuclear weapons. Even in the early sixties the United States had created a whole arsenal of nuclear weapons the size of a bazooka. It weighed a little over 20kg. Just a few kilograms of plutonium were needed for its production.

And now—with an amendment to take into account scientific and technical progress—the council has suggested new "thresholds" to the U.S. Government and the United Nations: 1kg instead of 8kg for plutonium and 1kg instead of 8kg for uranium-235; and 3kg instead of 25kg for enriched uranium containing 20 percent or more uranium-235.

We shall not speculate as to whether the time chosen for the move of the council for the protection of U.S. national resources, which coincided most dramatically with the confiscation of a fissionable substance in Germany, was a "fortuitous coincidence." In any case the council's research is confirmed by the scales of the threat of the spread of fissionable substances. One "deal" intercepted by the German authorities allegedly involved the purchase of 4kg of plutonium for \$250 million which, according to the new "thresholds," is quite enough to create four miniature atom bombs.

According to the report's co-author, Christopher Payne, even the primitive atom bombs produced in the United States in the forties required just 3kg of plutonium. For 40 years now the technical community as known that it is possible to create atom bombs using a minimal quantity of material.

The council's initiative could strike a painful blow to the United States' main competitors—Japan and the Western countries, which are obliged to gamble on the further development of peaceful nuclear power engineering. For those countries the council's "thresholds" could be a real straitjacket.

Warning Shots Fired at Japanese Fishing Vessel

LD2308120794 Moscow ITAR-TASS World Service in Russian 1050 GMT 23 Aug 94

[By ITAR-TASS correspondent Leonid Vinogradov]

[Text] Vladivostok, 23 Aug—Japanese fisherman are not giving up their attempts to put the strength of Russia's border in the vicinity of the Kuril islands to the test. Today, a Russian border coast guard was forced to fire shots to warn three Japanese schooners against violating the maritime borders and it did not allow the fishermen from the neighboring country to enter Russia's territorial waters, the press center of the Pacific Ocean border district reports.

The third stage of operation "Putina-94" to prevent the plundering of fishing stocks in Russia's economic zone and the illegal export of its wealth abroad has been continuing for three days now. One Russian transport ship and one Japanese fishing vessel have been inspected over this period. The border guards had no claims on the latter since it had a licence to fish.

Forty Japanese vessels are fishing for Pacific saury under licence today in the vicinity of the Kuril ridge in Russia's 200-mile economic zone under the supervision of a border ship. Our sailors note that since shots were fired to hit a Japanese schooner on 15 August, the number of those wishing to violate the state border of Russia has fallen considerably.

Japanese Reports on Kuril Border Troops 'Ungrounded'

LD2308182394 Moscow ITAR-TASS in English 1654 GMT 23 Aug 94

[By ITAR-TASS correspondent Anatoliy Yurkin]

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[Text] Moscow August 23—First deputy commander of the Russian border troops' naval force Rear-Admiral Sergey Skalinov described the Japanese press reports on creation of a special division of the Russian border troops in the area of southern Kuriles as "ungrounded and based on rumors."

The Rear-Admiral told ITAR-TASS on Tuesday that the situation in the southern Kurile area has required regrouping of forces and changes in the command system. In his words, it is planned to make a structure capable of rapid and active reaction to illegal actions and preventing state border trespassing and pillaging of the Russian sea resources.

The number of ships or personnel strength will not be increased, said the Rear-Admiral.

Moscow Ready for Talks With Tokyo on Kuril Fishing

LD2308125094 Moscow INTERFAX in English 1220 GMT 23 Aug 94

[Text] Moscow is ready to begin talks with Tokyo aimed at stopping illegal fishing in Russian territorial waters in the region of the South Kurils, a high-ranking Russian diplomat told Interfax on Tuesday.

He said that Russia had proposed holding such talks on many occasions and that Moscow suggested concluding an agreement that would allow Japan to fish in Russian territorial waters on a compensatory basis.

"Judging by the Japanese media, Tokyo is working on its position on the problem, so we shall wait until such a position is shaped," he said. He also noted that the Russian Foreign Ministry had not received any official proposals from Tokyo.

According to the Japanese press, the Japanese foreign ministry intends to work out a compromise agreement by the end of August that would allow Japan to fish legally in Russian territorial waters for a fee on the one hand, and, on the other, give Tokyo an opportunity not to depart from its position on what it calls the northern territories.

Asked if Moscow would accept such an agreement, the diplomat said: "It's a delicate question, so I wouldn't like to make any premature statements."

Yeltsin Hopes for 'Major Agreements' With Kiev

LD2308194494 Moscow INTERFAX in English 1812 GMT 23 Aug 94

[Text] President Boris Yeltsin and Prime Minister Viktor Chernomyrdin have congratulated Ukrainian leaders on Independence Day, according to the Russian Embassy in Kiev.

Yeltsin's message to President Leonid Kuchma voices hope that during the coming summit in Kiev the two sides will reach major agreements meeting the vital

interests of Russia and Ukraine and form a solid political and legal foundation for a qualitatively new stage in bilateral relations.

Yeltsin is also convinced that friendly relations of equality between sovereign, independent Russia and Ukraine will develop fruitfully and strengthen in all spheres.

There are all the necessary prerequisites for that, chiefly the clearly expressed will of the two nations, the message reads.

In a message to Ukrainian Prime Minister Vitaly Masol, Chernomyrdin also expressed confidence that truly equal and mutually-beneficial relations between Ukraine and Russia sealed by a common history, centuries of friendship and brotherhood will fruitfully develop and strengthen in all spheres.

Sends Greetings on Ukraine Independence Day

LD2308153294 Moscow Radio Rossii Network in Russian 1300 GMT 23 Aug 94

[Text] The Russian president and head of government have sent congratulations to Ukrainian leaders in connection with Ukraine's Independence Day. In his message Boris Yeltsin expresses the hope that the forthcoming summit in Kiev will succeed in reaching serious accords which will lay the foundation for a new and better stage in Russian-Ukrainian relations. Boris Yeltsin emphasized that all the necessary preconditions for the development and strengthening of relations between the two states are in place, above all, the clearly expressed will of the peoples.

Shokhin, Dubinin Hold Talks With Ukrainian Ministers

LD2408082094 Kiev UNIAR in Ukrainian 0730 GMT 24 Aug 94

[Text] Moscow, 23 Aug—Russia's Deputy Prime Minister Aleksandr Shokhin and Acting Finance Minister Sergey Dubinin held consultations with Ukraine's Economics Minister Roman Shpek and Finance Minister Petro Hermanchuk, during which they discussed the terms and conditions of a new trade and economic agreement between Ukraine and the Russian Federation. The sides agreed to prepare a package of bilateral agreements regarding mutual protection of investments, avoidance of double taxation, creation of financial industrial groups and transnational corporations, legal information exchange, improving free trade, and the convergence of customs policies. Following the talks, a group of experts will be formed soon to finalize the documents in question.

Shokhin will visit Ukraine soon for further consultations, the Ministry of Economy press service reports.

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Russia Ready To Help DPRK Nuclear Program*LD2308134194 Moscow ITAR-TASS in English 1303 GMT 23 Aug 94*

[By ITAR-TASS diplomatic correspondent Nikolay Geronin]

[Text] Moscow August 23 TASS—Russia is ready to participate in switching North Korea's nuclear program to a light-water reactor if international financial aid is found, Russian Deputy Foreign Minister Aleksandr Panov told ITAR-TASS here on Tuesday.

According to the deputy minister, the North Korean side is interested in getting Russian reactors. This is attributed to the fact that the two sides have experience of cooperation in this sphere. For instance, "our specialists selected a site for a nuclear power plant," Panov noted.

A replacement of the heavy-water reactor for a light-water pile would remove suspicions over a secret development of nuclear weapons by North Korea. These suspicions grew after Pyongyang did not permit inspectors from the International Atomic Energy Agency to check in detail its nuclear projects.

Alleged Anti-Kim Chong-il Literature Unsubstantiated*LD2308141294 Moscow ITAR-TASS World Service in Russian 1318 GMT 23 Aug 94*

[By ITAR-TASS diplomatic correspondent Vladimir Solntsev]

[Text] Moscow, 23 Aug—Top officials of the Russian Ministry of Foreign Affairs and of several other Russian departments told the ITAR-TASS correspondent that they had not, as yet, received information directly from Pyongyang about the distribution of leaflets there calling for the overthrow of Kim Chong-il.

The Russian Embassy in the DPRK is situated outside the area where the South Korean agency YONHAP claims the leaflets were distributed.

Chernomyrdin, Serbia's Marjanovic Discuss Cooperation*LD2408105294 Moscow ITAR-TASS World Service in Russian 0952 GMT 24 Aug 94*

[By ITAR-TASS correspondent Gennadiy Yezhov]

[Text] Moscow, 24 Aug—Russia firmly adheres to the view voiced during Andrey Kozyrev's recent visit to Belgrade on raising with the international group in Geneva the issue of lifting the trade and economic sanctions against the FRY in the case of Belgrade's strict observance of the obligations undertaken to suspend contacts with the Serb republic in Bosnia-Herzegovina. Viktor Chernomyrdin, head of the Russian Government, confirmed this position at talks with his Serb counterpart

Mirko Marjanovic. They discussed issues of bilateral economic cooperation and the situation in the Balkans.

Following the talks, Marjanovic told journalists that the Russian side had come out in support of deepening economic contacts after the relevant UN sanctions had been lifted and of settling the situation in Bosnia-Herzegovina by political means.

The head of government of the Republic of Serbia of the FRY, which also includes the Republic of Montenegro, briefed Chernomyrdin on the situation in the former Yugoslavia. The head of the Russian Government voiced Russia's traditional affection for the peoples inhabiting the former Yugoslavia.

Marjanovic also said after the talks that two agreements would be signed in the next few days on trade and economic and scientific and technical cooperation between the Russian Federation and the Republic of Serbia. The documents stipulate, however, that they will come into force in accordance with the two countries' national legislations. This proviso takes into account the Russian president's edict on introducing trade and economic sanctions against Yugoslavia following the UN decision.

Marjanovic, Sainovic Address Businessmen in Moscow*AU2308202294 Belgrade RTB Television Network in Serbo-Croatian 1730 GMT 23 Aug 94*

[Text] The second day of their official visit to Moscow, Mirko Marjanovic, prime minister of the Republic of Serbia, and Nikola Sainovic, deputy prime minister of the Federal Republic of Yugoslavia, passed in a working atmosphere and in the preparation of intergovernmental documents that establish future economic cooperation between two federal republics—Yugoslavia and the Russian Federation. Here is a report by Dusko Petrovic:

[Begin recording] [Petrovic] Prime Minister Marjanovic had another working meeting with (Rem Vjekarjev), director general of the Gas Production Corporation.

Prime Minister Mirko Marjanovic and Deputy Federal Prime Minister Nikola Sainovic met Yugoslav businessmen living and working in Moscow in the FRY Embassy this evening. The main topics of the talks were the visit to Moscow, the realization of the program of economic recovery of Yugoslavia, and a peaceful solution to the conflict in the former Bosnia-Herzegovina.

[Marjanovic] This visit took place at a time that was, in the international sense, the right time. This is because this moment in the international (?policy) and the overall international situation may even represent a turning point in solving the problems of the Bosnian crisis and the crisis in the Balkans.

However, what we are mostly interested in—at least regarding myself, the Serbian Government, and the Federal Government—is economic cooperation and

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how to go on working while we are still under these sanctions. It has been accepted that, first of all, this meeting should take place openly and publicly, that we should openly and publicly talk about that. We have already had several contacts. We have met the Russian minister of trade and we agreed on what documents should be signed. In fact, we agreed on this with Prime Minister Chernomyrdin in advance, without a meeting, and we are only going to confirm that tomorrow.

In fact, we are going to sign an economic agreement on cooperation between the Russian Federation and the FRY, which is very important. It is very important both for our businessmen and for the Russian businessmen.

[Petrovic] Nikola Sainovic, deputy federal prime minister, addressed Yugoslav businessmen in Moscow, speaking to them about current foreign political issues regarding a peaceful solution to the conflict in the former Bosnia-Herzegovina and the peace plan of the Contact Group, pointing out the clearly peaceful orientations of Serbia and Yugoslavia, as well as the efforts invested by our country with a view to reaching a peaceful solution to the crisis. Nikola Sainovic also spoke about the realization of the economic recovery program, emphasizing the stable conditions for business operations in our country.

The media here have devoted prominent publicity to the visit of Prime Minister Mirko Marjanovic to Moscow. Several newspapers and radio and television stations have asked Prime Minister Marjanovic for interviews. [end recording]

Karasin Urges Support for 'Belgrade's New Course'

LD2308160994 Moscow *ITAR-TASS in English* 1553
GMT 23 Aug 94

[by ITAR-TASS correspondent Yuriy Kozlov]

[Text] Moscow August 23 TASS—Serbia's acceptance of the international plan of settlement in Bosnia and Herzegovina deserves more practical encouragement by the world community, Director of Russian Foreign Ministry's Information and Press Department Grigoriy Karasin told a Tuesday briefing for reporters. He said Russia "is trying to persuade its partners of the need for such encouragement."

The latest [words indistinct] another proof to that. Karasin cited reports from the region, indicating that the Belgrade-imposed regime at the Yugoslav-Bosnian border is observed.

Therefore, "anything other than constructive moves would be counterproductive," warned Karasin. He said there is an understanding of it in Moscow.

As concerns the present visit to Moscow of Serbian Republic's Prime Minister Mirko Marjanovic, Karasin said the coming of Yugoslavia's delegation should be

considered as "the continuation of regular contacts with Belgrade within the framework of settlement in the former Yugoslavia."

The Foreign Ministry's spokesman said Russia believes that "now when Belgrade's choice in favor of peace has led to a qualitatively new situation in the Bosnian settlement, such contacts are very useful."

It is necessary, he continued, to use every opportunity to support Belgrade's new course in order to consolidate the emerging positive processes."

It is expected that the Moscow talks will address trading and economic relations within the context of reestablishment of full-scale cooperation with Yugoslavia after the lifting of the U.N. sanctions. It is planned to sign agreements to the effect, but their coming into force will depend of U.N. resolutions on suspension or scrapping of the present sanctions against Yugoslavia.

Moscow Urges International Support for Serbia

LD2308144194 Moscow *INTERFAX in English* 1302
GMT 23 Aug 94

[Text] Moscow believes that the Serbian leadership's approval of the Bosnian peace plan "deserves effective international support," foreign ministry spokesman Grigoriy Karasin said on Tuesday.

Referring to reports from the region, he said the Belgrade-imposed border controls on the Bosnian Serbs were being strictly observed.

"Any measures in respect of Serbia now, apart from constructive support, would be counter-productive", he said.

On a coming Bosnian Serb referendum on the international peace plan, Karasin said he put his hopes on "the positive mood of the people who are sick and tired of war and bloodshed."

Bosnian Serbs Seen Likely to Turn Down Peace Plan

LD2308163394 Moscow *INTERFAX in English* 1412
GMT 23 Aug 94

[From the "Diplomatic Panorama" feature: reports by our diplomatic correspondents Aleksandr Korzun, Igor Porshnev, Yevgeniy Terekhov and others]

[Text] During the referendum Bosnian Serbs are most likely to turn down the international settlement plan of the crisis in Bosnia-Herzegovina, a high-ranking Russian diplomat told Interfax on Monday.

However, he did not think the public vote could be called truly democratic and consequently legal because it takes place at a time of war and in the absence of full and objective information which is necessary to make a

balanced decision. Besides, the returns should not be viewed as the true opinion of all Bosnian Serbs, the diplomat said.

He did not rule out the possibility that the possible refusal of Bosnian Serbs to accept the peace plan will be followed by the suggestion to make air attacks on their positions.

At the same time, according to the official, Moscow fully supports the new and constructive policy of Belgrade that does much to encourage Bosnian Serbs to accept the plan.

Bosnian Serbs are familiar with the Russian stance and there is nothing more to discuss with them, the diplomat stressed. It is only possible to repeat for the hundredth time that a political settlement is in their own interests.

In the opinion of the official Belgrade's new strategy should be taken into account during the debate on sanctions. "Much depends on the deployment of observers on the Yugoslav-Bosnian border to control the observation of the blockade of Bosnian Serbs by Belgrade", the diplomat said.

Admitting that the problem is truly complicated the diplomat stressed the need for looking for a compromise which in his opinion is theoretically possible. He announced that Moscow does not have any concrete proposals to this end at the moment.

The foreign ministry spokesman said the attitude of the Serbian President Slobodan Milosevic [Milosevic] to the deployment of observers is not outright negative on closer examination. The Serbian leader is ready for compromise in a broad sense, the diplomat said.

The Russian Foreign Ministry's Spokesman Grigori Karasin referred to information coming from the region and said at a briefing in Moscow today that the border regime introduced by Belgrade on the Yugoslav-Bosnian border is strictly observed.

Karasin added that the position of the Serb leaders who had approved the international plan for settlement in Bosnia "deserves a more efficient support on the part of the international community." Karasin said it will be counter-productive to take any other actions but providing constructive support to Serbia.

U.S. Consulate's Visa Practices Criticized

LD2308141994 Moscow INTERFAX in English 1302 GMT 23 Aug 94

[Text] The Russian Foreign Ministry spokesman, Grigory Karasin, said that the current visa practices of the U.S. embassy's Consulate in Moscow "do not suit the new character of relations between Russia and the United States and need to be modernized."

Addressing a briefing in Moscow on Tuesday he said that even when visa applications for Russian officials who

have diplomatic passports were accompanied by verbal messages from the Russian Foreign Ministry, the U.S. consulate demanded an interview or that proofs be submitted of the fact that the applicants do not intend to settle in the United States.

The Russian Foreign Ministry told the U.S. embassy that such practices were inadmissible. "We expect that our American colleagues will come to the necessary conclusions," said Karasin.

Paper Gives Advice on Getting U.S. Visas

MM2308161194 Moscow NOVAYA
YEZHEDNEVNAYA GAZETA in Russian
23 Aug 94 p 7

[Article by Zrik Shur under the rubric "Defectors": "Visa for 'Strategic Bomber.' New Rules for the Registration of Documents To Visit the United States Were Recently Introduced"]

[Text] The U.S. Embassy in Moscow recently threatened to topple a world record: In the current year, just as they did last year, embassy staffers plan to supply 130,000 people with visas, which is only a few thousand less than the world record holder—the U.S. Embassy in London. This means that last year the United States was visited by roughly as many of "our" people as there were native inhabitants of America—i.e. Indians. At the time of Christopher Columbus' landing on the coast of New England.

No wonder that the U.S. Embassy, which is unable to stem the tide of people wishing to visit the home of the U.S. dollar, has decided to cut to a minimum the time for dealing with people applying for an exit visa. New guidelines mean that a visa can now be issued virtually on the day of the interview. Or not issued.

In order to receive a visa this early, you need to turn up for the interview at the embassy at 10 o'clock (in the morning). If you turn up late, everything will be postponed until the next day, and so on until such a time as you learn to get up a bit earlier.

What You Need To Bring in Order To Keep Your Conversation With the Consul Short

First, a completed application for an exit visa—on a special form in printed letters or typed. Second, a passport valid for at least six months after the date of your proposed visit to the United States. Third, some photographs.

Fourth...proof that you will leave the United States at the end of your visit. No instruction will tell you what this proof is.

You see, no "presumption of innocence" exists for you on the territory of the U.S. Embassy. According to U.S. legislation, from the moment you hand in your application, you are considered a potential immigrant. And the

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onus is on you to prove that no country is dearer to you than the country of your permanent residence.

The embassy itself recommends, for example, that you show the consul your personal correspondence. Imagine what it must be like for the consul to believe that under no pretext do you wish to remain in America. Evidently, the style of the correspondence should be something like this: "Come, let me look once into your brazen eyes.... I will look, and then drive you back to Russia!..."

Among the no less important documents you require are, for example, proof that you work (Americans call this "having an income") and that you have relations or family to whom you will return. Therefore you should not sing rude ditties about your mother-in-law in the consul's presence.

It would be a smart move to bring a medical certificate showing that you are susceptible to attacks of homesickness and cannot live for long without your "doctor's sausage" [grade of sausage] and glass of "Buratino."

Bring along proof that you own property (except in cases where you could wrap your property in newspaper and take it with you).

If you are studying, bring proof of this. It is entirely possible that you will be asked about Fermat's theorem—look through your textbooks.

And of course, bring your old passport, which will confirm that you have already been to the United States and that you rushed back here bang on time—to your mother-in-law, "Buratino," and Fermat's theorem.

If you are going on business, it is insufficient to say that the aim of your visit is, for example, to purchase American bald eagles. Tell the consul the details. For example: Where precisely do you intend to hunt for this fowl? And without fail try to convince the Americans that you have no opportunity to shoot bald eagles on the territory of the Sukhumskiy reservation, for example.

Most important of all: U.S. consuls no longer believe a single piece of paper certified by a notary. Do not ask your transatlantic friends to send faxes in your support to the U.S. Embassy—consuls simply do not have the time to deal with all these "fans." Bring photos of your girlfriend, wrapped in a sari made of the Stars and Stripes, with the Statue of Liberty in the background—you will be believed far quicker.

Visa Categories

The tourist visa (it is called "B-2," almost as if it were a strategic bomber, and is treated by the United States with approximately the same degree of caution). You should know exactly what places in the United States you intend to visit. If you are visiting friends, bring something in proof of your friendship: a group photo, your friend's sock, which he left behind at your place before leaving. At a pinch—letters or invitations.

The consul may ask how you met this person (a short paraphrase of the story of Turgenev's acquaintance with Pauline Viardot is perfectly suitable). If you are not acquainted, let your whole look show convincingly how desperately you want to see your dearly loved John (ah, what a pity that you have to go to the United States for this!).

The business visa (B-1). Do not forget to take along to the embassy your business correspondence, explaining the nature of your visit. "The more specific your correspondence, the better...." If you are going to exchange experience with excavators, let your correspondence contain as much specific terminology as possible: "the depth of the soil bed," "the flatness of the bucket," "interim desk work on the slaughter of the 'domino' artiodactyl animal class," and so forth....

The student visa (F-1). According to his status (it is indeed status that must be proven in the embassy) the student is the only one of us who is not considered a potential immigrant. He needs to prove only this—that someone (or something) will support him in his first year. Guarantees should look like a bank balance sheet. This is not a letter from the bank or something else. It is a bank balance sheet which someone in America must draw up for the student (or pupil).

God alone knows who.

If you have a sponsor in the United States, be so good as to get hold of his tax declaration for the year—this is the best guarantee that he will definitely support you. (Let us hope that you do not have to apply to the tax police and send in the Special-Purpose Militia Detachment to get hold of it from the sponsor.)

And if mom and pop have decided to pay for your education, send a certificate from your parents' place of work. Be careful—it could elicit suspicion. After all, not even every American family is able to pay for the education of its children. At any rate, do not show this certificate to anyone else: Who knows, supposing you do not go?

Exchange visa ("G-1"), visa "H" for temporary workers and students on courses not leading to a degree, and visa "L" for transfer within a company. Until you come to fill in these documents, do not try to understand anything about them.

Payment

Payment is exacted only in banknotes of the central bank of the United States. A single-entry visa costs \$20, a multiple-entry visa \$120. Only "strategic bombers" ["B-2" holders] fly just once and always have to pay \$20.

And do not take along chewing gum, "Pepsi," or "Coca Cola." They cannot stand this—my word on it.

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Foreign Ministry Concern Over U.S.-Cuba Tension*LD2308141694 Moscow INTERFAX in English 1302 GMT 23 Aug 94*

[Text] A spokesman for the Russian Foreign Ministry, Grigory Karasin, has expressed concern over "another spiral of U.S.-Cuban tension."

At a briefing in Moscow Tuesday, he said that many issues had piled up in the relations between the U.S. and Cuba. "However, the way to the settlement of mutual differences, however serious they are, is through dialog rather than through the escalation of mutual accusations," Karasin said.

"We support a constructive dialog between Havana and Washington, and are ready to apply more efforts to remove tension around Cuba," he said.

U.S. Aims To Pressure Cuba Into Reforms*MM2308134394 Moscow KRASNAYA ZVEZDA in Russian 23 Aug 94 p 3*

[Report by Vadim Markushin: "Cuban Refugees Worry Clinton"]

[Text] At a time when many Cuban refugees are continuing to die in the stormy waters of the Caribbean which separate their island from the United States, hundreds and thousands more of their compatriots are building boats in the hope of reaching the blessed shores of Florida. They are not being actively persecuted by the authorities. Anyone who decides to leave the socialist fatherland does not run the risk of being shot by a border guard, as was once the case on the internal German border. Fidel Castro seems to believe that the stormy weather at sea and the sharks that inhabit the deep are a sufficient barrier to traitors.

These "lucky people" are not being greeted with open arms on the mainland. They are being sent to the military base at Guantanamo, which serves as a kind of transit center for those whose fate will be decided by the U.S. authorities. This process cannot continue indefinitely, of course. Judging by everything, Washington does not want to keep Cuban refugees at its military base and is therefore actively looking for third countries which would grant them refuge and a more definite existence.

A line that is more promising from the U.S. standpoint is also being worked out. It consists of exerting increasingly tangible pressure on Havana. In the sense of forcing it to begin radical reform. And, although Washington officials are not talking openly about this, the introduction of a blockade of Cuba to force Fidel Castro to leave his post is nonetheless a possibility that is under discussion. "This is a hypothetical question," one Clinton administration staffer said. "The possibility of a blockade would only be examined in the event of dramatic changes in Cuba."

Alarm at Tension in Greek-Albanian Relations*LD2308191994 Moscow ITAR-TASS in English 1823 GMT 23 Aug 94*

[by ITAR-TASS diplomatic correspondent Yuriy Kozlov]

[Text] Moscow August 23 TASS—Russia is increasingly alarmed with the recent reports on tension in Greek-Albanian relations. Head of the Russian Foreign Ministry's Information and Press Department Grigoriy Karasin told a briefing here on Tuesday.

In his words, these are frequent border incidents, the planned trial of heads of an ethnic Greek political organization in Albania and a verbal duel of the two capitals.

Such developments run counter to the intensive efforts of the international community to improve the crisis situation in the Balkans, said Karasin.

"Russia stands for friendly and goodneighbourly relations between Greece and Albania, and a political dialogue to settle bilateral problems. It would be a specific and positive contribution to Balkan stabilization, security and mutually beneficial cooperation in the region," said the spokesman.

Karasin on Political Settlement of Haiti Crisis*LD2308190194 Moscow ITAR-TASS in English 1805 GMT 23 Aug 94*

[by ITAR-TASS diplomatic correspondent Yuriy Kozlov]

[Text] Moscow August 23 TASS—Russia stands for political settlement of the Haiti crisis since political methods have not been exhausted. Head of the Russian Foreign Ministry's Information and Press Department Grigoriy Karasin told a briefing here on Tuesday.

The initiative of the United Nations secretary general to send his special representative to Haiti and discuss peaceful implementation of resolution 940 of the United Nations Security Council gives a real chance to use political methods for restoration of democracy and constitutional order in Haiti, said Karasin. The resolution provides for the use of all necessary means to depose the military junta which grossly violates the rights of Haiti residents.

The Russian side supports this initiative and hopes that the military will use this chance to voluntarily refuse from the illegally-seized power and prevent severe trials of their people, said the spokesman. Otherwise, the international community will have no choice but full implementation of resolution 940.

Karasin on Efforts To Promote Mideast Peace*LD2308211394 Moscow ITAR-TASS in English 2026 GMT 23 Aug 94*

[by ITAR-TASS correspondent Yuriy Kozlov]

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[Text] Moscow August 24 TASS—Delays in the key area of Middle East settlement, that is Syrian-Israeli relations, dangerously deform the entire peace process in the region, Director of the Russian Foreign Ministry's Information and Press Department Grigoriy Karasin told a briefing for Russian and foreign reporters. He commented the Damascus talks of Viktor Posuvalyuk, Russian president's special envoy for the Middle East.

The Foreign Ministry's official said Moscow assumes that Washington has a similar stance on the Syrian-Israeli dialogue.

"The United States and we are not mimicking each other and use different methods, but we are pursuing the common goal of hastening the progress of the peace process in all directions," Karasin said.

He also stated that the major aim of Posuvalyuk's latest visit to the Middle East, the third one during the last three months, was to ascertain Arab and Israeli positions, to help make them closer to finding compromises at their talks.

"The visit appears to me of special importance in view of the fact that an undesirable lack of synchrony has been recently seen in some areas of the negotiation," Karasin pointed out.

The Russian presidential envoy also held talks in Lebanon. Posuvalyuk on Tuesday left for Jordan, with Israel next on his route.

Bulgarian Link in Arms Supplies to Yemen

MM2308182594 Moscow IZVESTIYA in Russian 24 Aug 94 pp 1,3

[Report by Aleksandr Sychev: "Opposition in Yemen Was Armed by Sofia, Not Moscow"]

[Text] Weapons for the civil war between North and South Yemen were supplied not by Russia, as claimed in the West, but by Bulgaria. From the beginning of 1994 through June transport aircraft airlifted from Bulgaria to Aden between 1,500 and 2,000 tonnes of military freight for the opposition.

No one would have known of Sofia's trade deal had it not been for its participants' greed. Two Mi-8MTV-1 helicopters, numbers RA-27042 and RA-27075 in the Russian state aircraft register, were stolen from their stands at Sofia airport. They had been left in Bulgaria by the "Aerotekhlogiya" Science and Production Association (Obninsk) for the Bulgarian airline "Heli Air" EOOD [expansion unknown] to keep in storage. In their efforts to get the helicopters back, the people in Obninsk discovered the Burgas-Aden airlift, whereby An-124 and An-22 aircraft from the Ukrainian "Ruslan" airline were delivering ammunition, small arms, and spare parts from depots of the former Warsaw Pact in the vicinity of Plovdiv to South Yemen.

The Yemeni Army is equipped mainly with Soviet weapons, which were supplied back in the seventies. The equipment is pretty decrepit. There had not been any regular supplies of spare parts and ammunition in recent years, but the conflict between Aden and San'a was getting to the point where shooting was bound to start. As the events loomed, buyers from the South went to the former Soviet sphere of influence in Europe. They called in at Moscow and Kiev before turning up in Sofia.

Nothing was forthcoming in Russia because of what Yemen owed for previous deliveries, put by some experts at approximately \$8 billion. The problem of payment has not been settled, so it was not possible to agree on major consignments of military materials along state lines. Ukraine was suspicious and asked the Yemeni Embassy in Moscow about the emissaries' authority.

Success lay in store for the Yemenis in Sofia, where people were not too fussy. Many weapons left over from the Warsaw Pact remain in the East European countries, including Bulgaria. The Soviet Union had set up major plants in a number of countries.

Representatives of "Aerotekhlogiya" were also introduced to the Yemeni buyers. This took place in Sofia and it was Stanislav Angelov, president of the Bulgarian company "Traffic Ltd" who got them together. Another firm—the Bulgarian-Uzbek "Charos Dzhurdzhini" Joint Venture, which was supplying tomatoes to the CIS—also asked him to perform this service.

The officers from Yemen introduced themselves as Defense Ministry officials authorized to buy weapons. They were very interested in Russian helicopters. The Bulgarians did not have this kind of equipment—the USSR had not managed to supply its allies with it.

The Mi-8MTV-1 helicopter is the civilian version of the Mi-17 combat helicopter. The only difference is that it lacks the armored shields and mountings for the machinegun, "Plamya" mortar, and unguided missiles. It is no problem installing all this, because all the electric cables are still there. The Mi-17 is an assault helicopter, more powerful in every respect than the celebrated U.S. "Black Hawk" and eminently suitable for actions in sandy areas.

The buyers had money, apparently. At any rate, they were very confident and drove an expensive BMW. All this happened long before the start of hostilities in Yemen, and only a few people in Bulgaria itself as well as the British "Airfoil" Company, which, smelling a rat, soon broke with its Bulgarian partners, knew about it.

The weapons were provided by the Bulgarian Defense Ministry, which is in charge of the depots. IZVESTIYA was told by an employee of "Aerotekhlogiya," which had put a lot of resources into gathering information on the missing helicopters, that a deputy minister had brought "Charos Dzhurdzhini" in on the deal. A relative

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of his was working for the firm, which enabled the firm, which was far removed from the arms sphere, to fall in with firms that were already well practised by that time in the arms business with Yemen—the "Kazanluk" Joint-Stock Company, "Traffic Ltd," "Feniks," the "International Bank for Investment and Development"—and take advantage of the Burgas-Aden airlift established by them and resolve its financial difficulties.

It turns out that the Uzbek-Bulgarian joint venture had tried to earn money selling cigarettes obtained on credit from the "Bulgar Tabak" state enterprise. But it got its fingers burned and the debt of \$2.5 million had unpleasant implications. The Russian helicopters were a godsend. An Mi-8MTV-1 costs over \$2 million. So "Charos Dzhurdzhini" and "Heli Air" flogged the helicopters and shared the profit with the other parties.

The Russian airmen who went to collect the aircraft were not even allowed into the airfield, the excuse being that there had been no instructions. As they were flying out of Sofia airport homeward bound, the people from Obninsk saw from the window of the aircraft the vacant stands—the helicopters were not there. They had been taken to Burgas under the Bulgarian flag and then packed into containers and taken to Aden, hot on the heels of the ammunition, spare parts, assault rifles, field guns, and machineguns.

How does the story end? The flow of weapons to Yemen was interrupted when the armed conflict ended. Those involved in the deal on the Bulgarian side had acquired valuable experience, acquiring a taste for the arms business, so they will be trying to get involved in other trouble spots. Some \$1.5 million ended up in the personal account of V. Kamenov, one of the leaders of "Charos Dzhurdzhini." Russia's "Aerotehnologiya" is taking legal action against its Bulgarian partners and hopes to find the missing items at one of three Yemeni airfields. The conflict was short-lived and the people in Obninsk believe that the helicopters were not even unpacked.

'Alarm' at Alleged Arab Mercenaries in Tajikistan

LD2308133394 Moscow *ITAR-TASS in English* 1300 GMT 23 Aug 94

[By *ITAR-TASS* diplomatic correspondent Yuriy Kozlov]

[Text] Moscow August 23 TASS—The involvement of foreign mercenaries in the inter-Tajik conflict may further aggravate the regional situation and affect a constructive peace dialogue, head of the Russian Foreign Ministry's information and press department Grigoriy Karasin told a briefing here today.

Moscow is alarmed with the Tajik military reports on participation of Arab mercenaries in combat operations on the side of the Tajik opposition, said Karasin. In his words, these reports have been confirmed by Russian border guards.

Attempts to internationalize the inter-Tajik conflict "will undermine the declared striving of the conflict sides to peaceful settlement of the regional situation and endanger possible progress towards solution of the current problems," said the Russian Foreign Ministry's spokesman. Karasin called on leaders of the Tajik opposition to abstain from involvement of foreign mercenaries in combat operations.

Chinese Leader Expected To Sign Agreements

LD2308150994 Moscow *INTERFAX in English* 1302 GMT 23 Aug 94

[Text] During his forthcoming visit to Russia, on September 2- 6, Chinese leader Jiang Zemin, is expected to sign a joint declaration on the main guidelines for the development of bilateral relations, as well as an agreement on the Russian-Chinese state border at its western section. This statement was made at a briefing in Moscow by the spokesman for the Russian Foreign Ministry, Grigoriy Karasin. He said that agreements on non-targeting of strategic nuclear missiles and some other inter-government agreements will also be signed.

During his visit to Russia, Jiang Zemin will visit Moscow and Yekaterinburg.

President's Aide Protests PRC Nuclear Power Deal

MM2308122994 Moscow *IZVESTIYA in Russian* 23 Aug 94 First Edition p 2

[Report by Aleksandr Pashkov: "People in Ural's Perturbed that Chinese Will Construct Nuclear Plant"]

[Text] Vitaliy Mashkov, the president's representative for Sverdlovsk Oblast, has sent an official letter to his immediate bosses and to the Russian Government about how the Ministry of Atomic Energy has prepared a deal with the Chinese side which will have drastically adverse significance for the development of the Russian nuclear industry.

The thrust of his appeal. In the world today there are two methods of enriching uranium: gaseous diffusion and centrifugal separation. The former is used particularly widely in the United States, whose experts once calculated that it was more effective. But Russian scientists took a fundamentally different path, believing that the enormous energy-intensiveness of the gaseous diffusion method would create considerable problems in the long term. As we can see even then some people knew how to count and in that they did not lag behind the much-lauded Western pragmatism. At any rate many years of quite complex experiments and research led to the creation of a unique uranium enrichment technology.

In the sixties the then top secret Ural electrochemical combine embarked in practice on the implementation of its program and is to this day the biggest supplier of uranium to the world market, since this method, while

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improving quality, at the same time makes it possible to obtain cheaper raw material.

So China has suggested to the Ministry of Atomic Energy that it construct on its territory a plant for the centrifugal separation enrichment of uranium and in exchange it is placing an order for the construction of a nuclear electric power station. Nuclear power officials agreed. And their logic is understandable. While all plans for the development of nuclear electric power stations in Russia and the near abroad are frozen, as a result of which thousands of high-class specialists are unemployed, the Chinese are offering real live dollars and some work for our domestic market.

"While we have an immediate gain, we shall pay a tough price in the very near future," Mashkov says. "It costs the Chinese nothing to dismantle a device and understand its workings. And, having the lowest paid but excellent scientist and technical cadres today, they will rapidly reduce the lag of about 20 years which can be seen in our technologies. Then our powerful neighbor will simply drive Russia from the market."

In the opinion of the president's representative Russia has already in the past helped China to introduce the gaseous diffusion method of uranium enrichment which has helped the latter to make considerable headway in nuclear programs. We should not repeat past errors....

Since the Ural electrotechnical combine, situated not far from Yekaterinburg, figured in the document, I asked its leadership to comment on the situation which has arisen. They refused to comment, merely saying that practical work to implement the Ministry of Atomic Energy plans is continuing.

Ministry Opposes Georgian Refugees Settling in Abkhazia

LD2408095494 Moscow 2x2 Television in Russian 0830 GMT 24 Aug 94

[Text] The Russian Foreign Ministry is against the irregular settlement on the Abkhazian territory of all Georgians who declare themselves refugees, Deputy Russian Foreign Minister Boris Pastukhov told RIA. He had arrived in Sukhumi to talk to the Abkhazian and the Georgian sides about the refugee issue. He maintains that there are people among those who have returned who are willing to take up arms again and to destroy the fragile balance of forces established in that area. I hope that the return of the refugees will be organized and will be eventually legalized. Pastukhov said: The military, UN representatives in Abkhazia, and the Russian Federation Foreign Ministry are all striving today to achieve this.

Border Troops Chief Visits Azerbaijan for Talks

MM2308123394 Moscow KRASNAYA ZVEZDA in Russian 23 Aug 94 p 3

[Report by Vitaliy Strugovets: "Will It Be Possible To 'Lock' the CIS Caucasian Border? Results of Working Trip to Armenia and Azerbaijan by Leader of Russian Federal Border Service"]

[Text] Yerevan-Baku—The first thing that should be noted is that this was a visit not to two warring states but to states that are equal members of the CIS along with Russia. Correspondingly, the main aim of the trip was the question of the safety of the Commonwealth's external borders—which, regrettably, are not particularly secure in this area. It was no accident that this problem was raised back at the April meeting of the CIS heads of state.

Carrying out the instructions of the heads of state, Colonel General Andrey Nikolayev, leader of the Russian Federal Border Service, met in Yerevan with Armenian President Levon Ter-Petrosyan and Vazgen Sarkisyan, the minister of state in charge of power structures. During the talks they discussed issues relating to the activity of the Russian Federation Border Troops' "Armenia" group of troops, which monitors the Turkish-Iranian-Armenian border, and an agreement was signed on the free carriage of freight for Russian border guards across Armenian territory.

During the meeting in Baku with Azerbaijani President Heydar Aliyev the issue of Russia's participation in the protection of the Azerbaijan-Iran border was discussed. Agreement in principle was reached on the exchange of operational and investigation information of mutual interest, on the implementation of joint measures to put a stop to the illegal traffic in weapons, drugs, and other prohibited goods, and on cadre training and provision. Moreover, it is planned to set up a border cooperation group under the Russian Federal Border Service and the Azerbaijani Main Directorate for Border Troops.

The sides have embarked on the detailed elaboration of an agreement to be signed by the Russian and Azerbaijani leaders at the October CIS heads of state meeting.

We would note that this accord would allow Russia to take a new attitude toward the fortification of its border in the North Caucasus. Abandoning the classic fortification scenario—where one kilometer costs a billion rubles—we would be able to make do with checkpoints on the main transport routes, merely carrying out additional searches of people arriving from the Transcaucasian republics.

Moscow City Economic, Trade Links with Lithuania

MK2308114894 Moscow MOSKOVSKAYA PRAVDA in Russian 23 Aug 94 p 1

[A. Kulikov report from the Moscow Mayor's Office Press Center: "Moscow-Lithuania: A Cooperation Program"]

[Text] Within the framework of a special program for interregional cooperation, talks have been held between a Moscow city delegation headed by Yu. Luzhkov and a delegation of the Lithuanian Republic represented by Prime Minister A. Shlyazhyavichus. At the meeting in Vilnius, the sides noted that expansion of cooperation

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between Moscow and Lithuania corresponds to their long term interests. During the visit, Yu. Luzhkov also met confidentially with Lithuanian President A. Brazauskas.

The head of the Moscow city government promised in the very near future to raise before the federal authorities the question of abolishing the existing policy of double taxation with respect to Lithuania which makes Lithuanian goods uncompetitive on the capital's market. The main result of the Moscow city government delegation's visit to Vilnius was the signing of an agreement on trade and economic cooperation. Special attention was given to supplies of meat and dairy products to Moscow. The sides agreed to thoroughly promote direct links between economic entities of all ownership forms and create the most favorable regime for them.

In Vilnius, the Moscow mayor also met with representatives of the Russian diaspora in Lithuania. The Moscow delegation brought more than 18,000 textbooks to help Russian speakers, which takes care of all problems for Russian schools in the upcoming academic year.

Norway To Extradite Hijackers to Russia

LD2308133294 Moscow *ITAR-TASS in English* 1320 GMT 23 Aug 94

[By ITAR-TASS correspondent Igor Pshenichnikov]

[Text] Oslo August 23 TASS—The Norwegian Ministry of Justice decided today to extradite to Russia three criminals who hijacked a Russian Aeroflot plane to Norway on September 15, 1993.

An official report circulated by the ministry describes the crime as extremely grave for it endangered the lives of the plane passengers and the crew. The decision corresponds to the universally-recognized need to counteract plane hijacks and other forms of terrorist actions, says the document. The extradition of the hijackers to Russia conforms with international practice, it stresses.

Servicemen Help Fight Fires in Spain

MM2308132794 Moscow *KRASNAYA ZVEZDA in Russian* 23 Aug 94 p 1

[Report by Sergey Babichev of the Russian Federation Air Force Press Center: "Keeping the Skies Over All of Spain Smoke-Free"]

[Text] In order to make this a reality, Russian pilots have been helping the Spanish to put out fires for three years in a row. Seven specially equipped Mi-8MT and Mi-8MD helicopters and 51 men are currently on duty at five bases—in the provinces of Seville, Caceres, Leon,

Zaragoza, and Cuenca. But they have to work across virtually the entire country. One of the "hottest" spots this year has been Valencia and Albacete.

The Russian airmen have already flown 328 hours in July, helping to put out 200 fires. Specialists from ICONA [National Institute for Nature Conservation]—the subunit of the Spanish Ministry of Agriculture responsible for environmental protection—have noted the high professionalism of the Russian Federation Air Force servicemen.

Russia Clamps Down on Illegal Migrant Passage

MM2308141194 Moscow *ROSSIYSKAYA GAZETA in Russian* 23 Aug 94 First Edition p 8

[Report by Aleksandr Mukomolov under the "From the Special Services' Files" rubric: "Road from India to Jail"]

[Text] Representatives of the crime business have headed for Russia from overpopulated countries. They consider our country the most favorable place for transferring drugs and numerous immigrants to the West.

Inderzhit Bikram Dzhit [name as transliterated] was among the first to arrive from India to discover the Great Migration Route through the CIS countries. He organized the passage of compatriots to Germany and the United States with no particular difficulty. And how: For more than 10 years he engaged in this business in the Asian region and had partners in India, the United States, and Europe who put together groups of "tourists" and produced counterfeit passports, visas, seals, and stamps.

During a less than two-year stay in Russia and other CIS countries the slick operator succeeded in transferring several thousand Indians and Sri Lankans to the West. They traveled on false passports and visas, in the holds of sea-going ships, and in secret compartments in refrigerator trucks and international buses. There were instances when people drowned trying to swim to the coast of a cherished country.

Bikram Dzhit and his partner, Tedzh Pal [name as transliterated], were detained by Moscow counterintelligence officers in April 1993. A lot of evidence was gathered relating to the criminal activities of the group organized by the Indians to illegally transfer foreign citizens from Russia.

...Nagatino Intermunicipal Court of the country's Southern District examined the charge against Bikram Dzhit and Tedzh Pal in open court session. Each of them was sentenced to two years.

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Political Issues

2 Detained for Stealing Uranium From Nuclear Center

LD2408084494 Moscow *ITAR-TASS World Service in Russian* 0824 GMT 24 Aug 94

[By *ITAR-TASS* correspondent]

[Text] Moscow, 24 Aug—Two unemployed people who stole 9.5 kg of uranium-238 from Russia's Arzamas-16 closed nuclear center have been detained by the Federal Counterintelligence Service in a joint operation with the Russian Federation Interior Ministry and the Arzamas-16 internal affairs department. The nuclear fuel was confiscated and an investigation started.

The Russian Interior Ministry told an *ITAR-TASS* correspondent today that the operation to detain those responsible for stealing the fissionable material was successfully carried out on 20 August.

Stolen Uranium-238 Not for Bomb Making

LD2408101794 Moscow *ITAR-TASS World Service in Russian* 0945 GMT 24 Aug 94

[*ITAR-TASS* correspondent Veronika Romanenkova]

[Text] Moscow, 24 Aug (*ITAR-TASS*)—The 9.5 kg of stolen uranium-238 which the Russian Interior Ministry informed *ITAR-TASS* about today is not suitable for the production of nuclear weapons. It is only fissionable in fast breeder reactors and so can only be used for nuclear power, the *ITAR-TASS* correspondent was told at the "Rosenergoatom" concern.

Nuclear power station fuel is made up of 96 percent uranium-238 and 3-4 percent uranium-235. One fuel cartridge for a reactor weighs 150 kgs. Around 60 metric tonnes of fuel are needed to load a water-cooled power reactor, for example. So specialists are finding it difficult to explain why such an insignificant amount of uranium-238 was stolen.

They also stressed that a number of special organizations officially trade in uranium-238. These include "Tekhsnabekspart" in Russia. One kg of the material costs around \$100-200 here.

Yeltsin Signs Edict on Automated Election System

LD2408104094 Moscow *ITAR-TASS World Service in Russian* 0904 GMT 24 Aug 94

[Text] Moscow, 24 Aug (*ITAR-TASS*)—Russia's President Boris Yeltsin has signed a edict "on developing and establishing an automated state system for the holding of elections in Russia." The aim of the edict is to improve the information back-up for the election system in Russia, to reduce the time it takes to issue results, and to cut financial outlays on election campaigns. This is disclosed in a statement issued by the president's press service.

The target date for the handover of the first stage of the automated election system for experimental operation is the first quarter of 1996. The Russian Government has been instructed to earmark funding in the draft federal budgets for 1995 and 1996 toward the development and establishment of the system.

Yeltsin Signs Edict on Federal Migration Program

LD2308154094 Moscow *ITAR-TASS World Service in Russian* 1130 GMT 23 Aug 94

[Text] Moscow, 23 Aug (*ITAR-TASS*)—Boris Yeltsin today approved by edict the Federal Migration Program.

The press service of the Russian president reported that the Russian Government had been charged with: Ensuring implementation of the measures contained in the Federal Migration Program, within the limits of the resources allocated in the 1994 federal budget to the financing of federal migration and resettlement programs; ensuring monitoring of the targeted use of these resources; redefining the Federal Migration Program every year, taking into account the prevailing socioeconomic situation in Russia; and organizing further research into problems of the development of the processes of migration.

The edict was signed with a view to implementing state policy on migration, which is aimed at regulating the processes of migration in Russia, protecting the rights of refugees and displaced persons, and overcoming the negative consequences of uncontrolled migration.

Papers Warned Against Violating Mass Media Law

LD2308140394 Moscow *ITAR-TASS in English* 1301 GMT 23 Aug 94

[By *ITAR-TASS* correspondent Tamara Ivanova]

[Text] Moscow August 23 *TASS*—The Russian State Committee for Press has warned three newspapers, namely *CHERNAYA SOTNYA*, *ZA RUSSKOYE DELO* and *NARODNYY STROY*, against violation of Article 4 of the Law on Mass Media, deputy committee chairman Sergey Gryzunov told *ITAR-TASS* today. The article prohibits materials aiming to stir up ethnic intolerance and discord.

Similar warnings have been made to several other newspapers. Under the Russian legislation, two official warnings made to the same mass media body within a year may result in a suit and termination of the body's activities.

Gryzunov is concerned over unlawful activities of 30 Moscow editions and a number of regional newspapers which, in his opinion, are fascist and anti-semitic.

Better Coordination of Security Services Urged

MM2408095094 Moscow *PRAVDA in Russian* 23 Aug 94 p 2

[Article by Nikolay Ryzhak, retired major general of state security, former deputy chief of the USSR KGB

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Main Directorate of Military Counterintelligence: "Guardians of the State, Not Village Constables. Far From Indifferent Reflections on the Country's Security"]

[Text] Never before has Russia been as vulnerable as it is now. The country is now in a radically different geopolitical situation, and today the security organs and other state institutions are obliged to protect its interests in more difficult conditions, while having relatively limited potential available to them to do so.

The destruction of the established, delicately balanced, and—most importantly—integrated security system; the creation of a radically different structure; irremediable personnel losses; deliberate acts aimed at creating negative public opinion—that is far from a complete list of what the security organs have had to endure in recent years. However, for the sake of objectivity, it must be said that even in these difficult conditions they have been one of the few bulwarks of statehood actively to withstand the frenzied onslaught of organized crime, the actions of foreign special services, and other criminal acts that are so typical of present conditions.

Things are more difficult now than ever before for Russia's security organs. But they are entitled to count on the support of those who cherish the Fatherland. There is a gradually increasing awareness and understanding in society that the organs' employees, raised in the best traditions of humanism and respect for the law, were and are, for the most part, true patriots of their Motherland. Remember, for instance, those days of October 1993 in Moscow, when staffers of the "Alfa" group rescued the doomed people who were in the Supreme Soviet building. As for the other tragic pages in our history, it is necessary to understand who wields this delicate and sharp instrument, who determines the orientation and scope of its actions.

I remember that once before, in December 1993, in connection with the abolition of the Russian Federation Ministry of State Security, I had occasion to speak in the pages of PRAVDA about the threat of further disintegration of the security system and the unacceptability of allowing the power structures to be oriented toward the struggle against that section of the opposition that is in fact concerned for the Fatherland's interests, against those of its citizens who express their protests in a civilized fashion and within the framework of the law. Improving our political culture means respecting the opinions of a broad spectrum of political forces in society. Only then will we be able to avoid further tragic pages in our difficult history. In my view, the power structures should be more committed than anyone to that approach, since it is they that bear full responsibility for calamities of a sociopolitical or socioeconomic nature.

The legislative power has begun to recognize the need to take a serious interest in Russia's security organs. The Federal Assembly, especially the relevant committees of

its chambers, has actively initiated a legislative process. With the participation of interested departments, they have drawn up a number of relevant draft laws. Among them are the draft Russian Federation laws "On Federal Security Organs," "On Combating Corruption," "On Combating Organized Crime," "On State Protection for Judges and Officials of Law Enforcement and Control Organs," "On Operational Investigations Activity," and a number of others. Unfortunately, not all deputies are pleased that these have appeared, but one hopes that a sense of responsibility to society will come to prevail in their minds too.

But let us not exaggerate the scope of what has been done. It is very important now to find additional ways of improving practical forms of collaboration between the power structures and the legislature, since further work is needed on a normative base that would make it possible competently and worthily to defend state and national interests. Life itself prompts a sobering thought: The state has long needed a clear national security concept. It would be useful if the orientation, sequence, and even pattern of drafting of laws were to be subordinated to this task. The laws, in turn, must fit in with normative acts regulating the activity of other departments and state institutions designed for the defense and security of Russia. At the moment, however, the formation of the legislative base in this sphere is proceeding without the basic priorities being defined.

A similar situation characterizes our military-political doctrine. I saw this for myself yet again when I attended closed parliamentary hearings on problems of the military-industrial complex on 25 July 1994. Grief and pain for the country's lost honor permeated the speeches of participants in that difficult debate. The general situation is further exacerbated by another rather unpleasant question. Our citizens have doubtless noticed in the mass media recently the polemical comments by the leaders of the two chambers of the Federal Assembly, in which they made a number of accusations against each other. But this is no time for such sparring: The state's destiny is at stake. And since it is fashionable at the moment to talk about civil accord, this is the priority sphere in which it should manifest itself.

If we are really—not just verbally—concerned about the state's security, we must not delay in strengthening cooperation and confidence between the special services of the countries belonging to the CIS. Integration processes are currently gathering speed like streams in the springtime. In this favorable atmosphere it is still more impermissible for individual representatives of the power structures to become tools for the realization of the self-seeking interests of small elite groups of political adventurers, of whom, alas, there is no shortage in various regions of the Commonwealth. It is doubly dangerous if the special services start pursuing their own selfish interests here. It is time finally to realize that we do not, and never will, have any more natural and historically predetermined allies than these. All the peoples of the former Union have always sought and will

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continue to seek contacts with great Russia, and the degree of confidence and accord between us will depend to a large extent on our own policy.

I think it would be useful to exploit to the maximum the resources of the representative authority in restoring and developing good relations with those states whose interests coincide with ours. This also applies entirely to the establishment of a working partnership between the special services.

It must also be borne in mind that the military-political leadership in a number of Western countries is persistently pursuing a course of stepping up its influence in the republics of the former USSR and obtaining access to basic, priority information. It is my profound conviction that it is therefore highly expedient to raise the question of formulating a Commonwealth concept of security or general security statutes. Such a document could be drawn up within the framework of the CIS parliaments' assembly. If we really want to restore the great power on a new footing, these most fundamental statutes should underlie our state policy.

We at the Federation Council Committee on Questions of Security and Defense are striving strictly within the bounds of our competence to carefully monitor the processes taking place in the FCS [Federal Counterintelligence Service], the Army, the MVD [Ministry of Internal Affairs], the prosecutor's office organs, and the other power structures, as well as state administrative bodies, and also in various strata of society. This is resulting in the impression that a corporative, narrow-minded approach and constant reorganizations have not benefited the development of our statehood. Because of these things the people are losing faith and, if you like, respect for the law and for those state structures that ensure its fulfillment. It is largely because of this that the sociopolitical situation is rapidly deteriorating.

Worrying questions arise quite naturally. Who is now responsible for the development of our citizens' civic stance and moral makeup, who fosters people's respect for law and labor? Who offers tried and tested guidelines for intelligent and flawless work by the most crucial state systems? Who takes care that society should not witness violations of the rule of law by the power structures themselves? Is there any possibility of stopping those who, intentionally or otherwise, undermine citizens' faith in a higher justice? Why do we know and hear practically nothing about measures being adopted in the sphere of the protection of the rights of the specific individual, the citizen? How long will society go on living in an atmosphere of rampant crime, fear, and chaos?

Many such questions could be posed. Unfortunately, there are as yet no answers. Therefore it seems to me that there is an urgent need to put forward, in the form of a legislative initiative, the proposal to give the Russian Federation Federal Assembly monitoring functions with

regard to a number of urgent avenues of state development. After all, it is paradoxical: The legislative organs, while participating in the creation of the legal basis for the operations of law enforcement structures, are virtually deprived of the possibility of verifying the effectiveness of the laws themselves and monitoring their application in practice. Yet only thus can the people's elected representatives really become the link between Russia's citizens and its upper echelons of power and be true defenders of every man's interests and guarantors of the observance of the rule of law in the activities of the national special services.

One last thing. The legalization of the activity of various kinds of dubious formations is virtually complete in the country, and they are increasingly making their presence felt in the country's sociopolitical life. We are also seeing the implementation of foreign ideological (yes, that is what I meant to say) expansion—through various religious faiths, mass culture sects, etc. Numerous protection organizations and security services are being set up, some of them of a criminal stamp. It is unacceptable to disregard all these phenomena, to take no notice of them. Therefore, in my view, a single center is needed, for in-depth analysis and interpretation. National security cannot be properly ensured without a competent, centralized management body. The creation of a coordination council, tasked with really bringing together the efforts of all national security structures and formulating and coordinating integrated approaches to the realization of the main tasks, has become an urgent item on the agenda.

Furthermore, even a cursory analysis of a number of international agreements concluded by individual special services indicates instances of noncompliance with the legal conditions for the normal operation of other Russian Federation special services, especially in cases where they themselves are not part of those services. This practice creates confusion in mutual relations and provides a basis for the arbitrary interpretation of particular fundamental principles of Russia's security. What is so disturbing is not only the failure to resolve many obvious problems, but also certain officials' plans aimed at yet more reorganizations and reallocations of jurisdiction over the power structures. It is not hard to imagine what this practice could lead to. No amount of references to the "norms" of a democratic state can justify it.

Economic Issues

Price Freeze Not To Resolve Payments Problem

LD2408094894 Moscow *ITAR-TASS in English* 0936 GMT 24 Aug 94

[By *ITAR-TASS* correspondents Gennadiy Yezhov and Oleg Velichko]

[Text] Moscow August 24 TASS—The Russian Government will not "freeze" prices to solve the problem of defaulted payments, First Vice-Premier Oleg Soskovets

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said here today, opening a regular meeting of the Russian Government's payments and settlements commission he heads.

Soskovets stressed that the agreement recently signed as a result of the commission's work by the "Rosugol" company, "Mintopenergo", the Railway Administration and the iron and steel industry on the temporary suspension of the growth of prices for raw materials and of the existing tariffs would allow all these sectors to settle their mutual debts.

Commenting on reports concerning this document, which had appeared in some press organs, the first vice-premier noted their tendentious character, particularly their desire to present the signing of the agreement as the government's first conservative step towards a tough regulation of all prices. "We are attentively following the views of our opponents, expressed both in the Russian and foreign press, and we believe that any assessment of the Russian reforms, even if it is made abroad, may be very useful. However, it is pertinent to note," Soskovets said, "that the government has not deviated and will never deviate from the course of reforms, intended to structurally reform the economy."

Consumer Basket Costs Fall; 1st Time in 2.5 Years

LD2408051794 Moscow Mayak Radio Network in Russian 0400 GMT 24 Aug 94

[Text] According to federal bodies in charge of statistical data, the set of 19 staple foodstuffs became relatively cheaper during the past week—for the first time in two and a half years. Thus, in Moscow its cost was 70,900 rubles, against 72,100 a week before; in St Petersburg it was 65,900, i.e. 2,000 rubles less than a week before.

In the list of the towns and cities surveyed Moscow is ranked 31st, while St Petersburg has moved from 37th to 41st position.

Price rises in non-foodstuffs in the past week amounted to 1.3 percent. The sharpest rise was recorded in the price of coal.

Yeltsin: Commercial Banks Create Own Reserve System

LD2308134894 Moscow Russian Television Network in Russian 0400 GMT 23 Aug 94

[From the "Vesti" newscast]

[Text] The president's meeting with Nizhniy Novgorod businessmen lasted over an hour. The meeting was attended by Sergey Kiriyeenko, a young banker.

[Kiriyeenko] The thing that interested me most of all about this meeting was the fact that for the first time I heard the president expressing, without any trace of doubt, his firm conviction that commercial banks should have their own independent reserve system. At the

moment this function is fulfilled by the Central Bank. In many countries this function is a shared one. In the United States they have the federal reserve system. There are a number of other examples.

The president made it clear he believes commercial banks should establish a single, independent reserve system in the very near future, with all the consequences that stem from that. From a professional point of view this is an extremely interesting proposal. This will make a very great difference to Russia's entire banking system. This is a good thing, on the whole.

At the moment it is very difficult to guess what kind of reserve system this will be. Events could develop in several different ways. But, whatever happens, this is good. Whatever happens, this will increase mobility within the system of commercial banks.

Official on Prospects for Banking Scene

LD2308160394 Moscow ITAR-TASS in English 1423 GMT 23 Aug 94

[by BUSINESS-TASS]

[Text] Moscow August 23 TASS—Russian banks will not be forced out from the market by their foreign colleagues, Deputy Chairman of the Russian Central Bank Dmitriy Tulin told BUSINESS-TASS here today. In his opinion, the banks supported by the state will preserve their position in open competition.

Under the Russian-European treaty on partnership and cooperation, Russia is allowed to limit activities of foreign banks on its territory till the end of this century. Protectionism will be severe till 1996, the limits will be eased through June 1999. Nevertheless, foreign banks to be established after December 31, 1995, will be prohibited to carry out banking operations with companies controlled by the Russian capital.

Under the current practice, foreign banks have the right to open no more than one branch in Russia in addition to their major office. Till the end of 1999 the Russian authorities can prohibit foreign banks to involve in operations with stocks of Russian joint stock societies.

The regulation regime will become equal for Russian and foreign banks in the 21st century. At the same time, the share of foreign banks' capital in the overall capital of Russian banks will not exceed 12 per cent, stressed Tulin.

The Russian Federation now has 17 banks whose foreign share is over 50 per cent. Ten of them have been fully created by foreign capital, among them BNP-Dresdner bank, Credit Lyonnais - St. Petersburg, Societe Generale, ABN-AMRO Bank, ING, Credit Swiss, Chase Manhattan Bank, City Bank, Bank of China and a branch of the Austria Bank.

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Foreign investments are estimated at approximately seven per cent of the overall capital of Russian banks and 3.5 per cent of their assets.

Claims That Slump Has Slowed Questioned

MM2408103194 Moscow IZVESTIYA in Russian 24 Aug 94 p 9

[Article by Andrey Illarionov: "When Will Industrial Slump End and Upturn Begin?"—from the EKSPERTIZA section]

[Text] Addressing an enlarged government session a month ago, Prime Minister V. Chernomyrdin announced news of exceptional importance. He stated with regard to the achievement of stabilization in industry: "The speed of the production slump has slowed appreciably, as shown by the dynamics of its average monthly rates. In June the rate was zero." Obviously with the premier's backing, the president too said a few words about the stabilization of industrial production.

But to what extent does this information square with reality?

According to figures from the Russian State Committee for Statistics (and this is the only official source of figures on the dynamics of industrial production) industrial production in the first seven months of 1994 fell by 25.8 percent on the same period last year. As a comparison—production fell by 16.2 percent in 1993 and by 18.8 percent in 1992. These impassive figures do not show any stabilization or even slowing in the pace of decline.

But the premier may have been referring not to the annual but merely to the average monthly rate of decline, pointing to a new trend. The average monthly rate of decline in the first seven months of 1994 was 2.8 percent. As a comparison, the same indicator was 2.2 percent in the second half of 1993, 0.3 percent in the first half of 1993, 2.3 percent in the second half of 1992, and 1.1 percent in the first half of 1992. Once again there is no stabilization or even slowing in the pace of the industrial production slump.

Just what did the premier have in mind when he spoke of signs of stabilization? Surely not the rates for 1994 as a whole, but merely for the month of June, when the rate was indeed zero. But, first, making such important generalizations on the basis of the results of one month alone is somewhat unprofessional. Second, the indicator was zero not only in June 1994, but also in April this year and March of last year. Certain months have even seen an increase in production volumes—for instance, 11 percent in September 1992, 3 percent in October 1992, and 5 percent in February 1994. What is interesting is that nobody talked about production stabilization at the time. And they were right not to. Because there are monthly fluctuations in production volumes. Therefore, you can only say how industrial production trends will

change (up or down) on the basis of information over a relatively long period—a year, a half-year, or at least a quarter.

We already know the yearly dynamics. As for production levels in the first half of 1994, they were 12 percent down on the second half of 1993. Production levels in the first quarter of 1994 were 10 percent down on the last quarter of 1993; in the second quarter of 1994 they were another 4 percent down on the first quarter; and in July production was down another 6.5 percent on June. Once again, this does not look very much like stabilization.

Thus in actual fact there is not a single fact or a single indicator of production dynamics—the running total for a month, average monthly rates of decline, or the average for a year, half-year, or quarter—to confirm this well publicized statement. Of course, we can understand the premier—he very much wants to see positive movement in the economy as quickly as possible. But surely he should not mislead the public and his colleagues to that end.

But forget about those "misleading" authorities. The country still faces an issue of exceptional importance—just when will the industrial slump end and the upturn begin?

There are two ways of safeguarding production levels. One way is simple and has already been tried in Russia and many other post-Soviet states—pumping credit into the economy. It has the short-term effect of boosting production and the long-term effect of causing a financial collapse that brings about a new and far deeper industrial slump.

The other way is complex and difficult, but it alone ensures the possibility of long-term stable economic growth. There is a range of quite clear, precise, and very tough conditions, the absence of any one of which will prevent economic growth from beginning. These are to achieve financial stabilization—that is, to cut the inflation rate to single figures or, at worst, to a level of no more than 40 percent a year. To remove strong inflationary expectations from economic players. To have real rates of return on bank deposits. To boost savings in real terms. To have a developed institutional system for turning savings into investment. To boost investment itself. To have a large class of private owners independent of the state. To have guarantees of private ownership itself, including land ownership. To have stable domestic and foreign demand for national output. For the government to have a clear economic policy which gives society confidence in both the government and its economic policy.

It is not hard to see which conditions already exist in Russia and which still have to be created. But it is quite clear that, given our current level of inflation, our underdeveloped financial infrastructure, the low level and rate of growth in private savings and investment, the vague situation as regards ownership rights, and the low

level of social confidence in the economic policy of a government which is inclined to regularly mislead the public, carrying out monetary reform, banning right-hand-drive cars, and providing selective support for its favorites in the oil, gas, and agrarian sectors—under these conditions the prospect of economic growth beginning in the immediate future looks highly problematic.

Finally, in the event of all these conditions being met, there is one other abiding condition. We will need a certain amount of time—an "incubation period"—at the end of which stable economic growth will have "matured." In Poland it took 15 months. In the Czech Republic it took 18 months, in Hungary more than two years. It is hardly likely to take any less time in Russia, which is still only just approaching the beginning of its "incubation period."

Just when it begins will depend above all on the actions or inaction of the government in bearing down on inflation. Postponing financial stabilization will mean delaying the start of economic growth.

Military & Space Issues

Molniya-3 Satellite Launched

LD2308165294 Moscow *ITAR-TASS in English* 1626 GMT 23 Aug 94

[by *ITAR-TASS* free-lance correspondent Viktor Gritsenko]

[Text] Moscow August 23 TASS—The Molniya-3 communications satellite was launched at 18:31 (Moscow time) today by the Molniya-M rocket booster from the 43th launching pad of the Russian Plesetsk space center.

The launch was done by the aero-space unit under command of Colonel Aleksandr Kolbasnikov. The unit which marked its 35th anniversary this year launches every fifth world's spacecraft.

Molniya satellites are put on a highly-elliptical orbit with an apogee of some 40,000 kilometers and a perigee of some 500 kilometers. The warranty period of Molniya-3 is three years on the orbit.

Satellite Parameters Given

LD2408083494 Moscow *ITAR-TASS World Service in Russian* 0800 GMT 24 Aug 94

[By *ITAR-TASS*]

[Text] Flight Control Center, 24 Aug—The latest "Molniya-3" communications satellite was launched by a "Molniya" rocket booster from the Plesetsk cosmodrome on 23 August 1994. It is to enable the long-distance telephone and telegraph radio link system to be used to transmit television programs to points on the "Orbita" network, and it is to play a part in international cooperation.

The satellite was placed in a highly elliptical orbit with an apogee of 39,937 km in the northern hemisphere and a perigee of 630 km in the southern hemisphere. The satellite's orbit period is 11 hours and 41 minutes, and its orbital inclination is 62.9 degrees.

Communications via the "Molniya-3" satellite will take place in accordance with a planned program.

'Sources' Hint at Imminent Defense Ministry Reshuffle

MM2308190394 Moscow *KOMSOMOLSKAYA PRAVDA in Russian* 24 Aug 94 p 1

[Report by Aleksandr Gamov: "Will the Minister Become Marshal of Russia?"]

[Text] Your *KOMSOMOLSKAYA PRAVDA* correspondent has learned from sources close to the president that there is every possibility of a reshuffle of Russian Federation Armed Forces leadership personnel in the very near future. Proposals on a significant increase in the number of Russian Federation deputy defense ministers of "army general" rank have twice now been submitted to the commission on top military ranks and posts under the Russian president. The rank of "marshal of Russia" was accordingly "claimed" [zayavlyalos] for the Russian Federation defense minister.

These proposals from a department of the Main Legal Directorate have twice been turned down by the commission. The first time under the chairmanship of Yu. Baturin, and the second time under the chairmanship of D. Volkogonov. What they mean in effect is a new structure for the top leadership of the Defense Ministry, in which there will be no place for current Deputy Ministers B. Gromov and V. Mironov. The powers of yet another deputy minister—V. Toporov—will be significantly reduced. In exchange it is proposed to create four or five deputy defense ministerships, which military chiefs from the Western Group of Forces, primarily Commander M. Burlakov, would no doubt aspire to. Current North Caucasus Military District Commander G. Mityukhin would also be among the contenders.

While rejecting these proposals, many commission members nonetheless favor significantly increasing the number of top posts in the Defense Ministry to be occupied by civilians.

Specialists on cadre matters are discussing the following idea: The president will tell all the top Defense Ministry leaders to leave the service, they will retain their posts, but they will cease to be servicemen.

The same idea has been voiced by Marshal Ye. Shaposhnikov: Some time ago he apparently said he was prepared to remove his shoulder boards and become a "civilian" minister of defense. Basically, the idea is not that new.

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Incidentally, according to some sources, Western Group of Forces Commander M. Burlakov has also demonstrated a willingness to remove his shoulder boards before his 60th birthday, which would enable him to aspire to a ministerial post in the "new setup."

Will the Russian president back the idea of a "change of clothes" for the military? That we can only guess. According to our information, the Defense Ministry tailors have not yet received any orders to make a marshal's uniform for P. Grachev either...

Lebed Comments on Fate of 14th Army

LD2408103594 Moscow ITAR-TASS in English 1002 GMT 24 Aug 94

[By ITAR-TASS correspondent]

[Text] Moscow August 24 TASS—"I will not allow the Army to be pulled apart during the three years that I have been left to serve in the Dniester area," Commander of the 14th Army stationed in that part of Moldavia [Moldova], Lieutenant-General Aleksandr Lebed told the newspaper "NOVAYA YEZHEDNEVNAYA GAZETA".

The newspaper notes that "dead silence has set in" after the Russian Defence Ministry released its directive at the end of July, determining the fate of the leadership of the 14th Russian Guards Army in the Dniester area and of its commander. "The directive has not been officially annulled or suspended, but nobody is implementing it," the newspaper stresses.

Commenting on this paradoxical situation, General Lebed said: "According to naval customs, a captain is always the last to leave his ship. I believe this is absolutely correct. We know many such precedents: the commander of the 40th Army General Gromov was the last to leave Afghanistan. The commander of the Western Group of Russian Troops in Germany plans to send off the last trainload and to arrive on it in Moscow with flying colours. In our case we see everything turned upside down: it is planned first to remove the commander and then to allow the Army to be broken up, pilfered and pulled asunder. I am categorically opposed to such actions."

"As to the situation in the Dniester area, the general stated, "I can only reaffirm my conclusions, which I made when I arrived here: there is no neo- or post-communist regime in existence here. On the contrary, the most 'rabid Bolsheviks' are being ostracized. The most ridiculous struggle for leading posts in the party, for power, is now under way in the camp of the former communists here."

"The Dniester area has an ordinary mafiosi regime. Its principal representatives sometimes make mistakes, but always in their own favour," Lebed said.

Regional Affairs

Chechen Official Claims Moscow Arming Opposition

LD2308121694 Moscow ITAR-TASS in English 1153 GMT 23 Aug 94

[By ITAR-TASS correspondent Sharip Asuyev]

[Text] Grozny August 23 TASS—The presidential forces do not intend to wage war against the opposition, but if the opposition forces make an attempt at entering Grozny on the day they announced, August 25, we shall have to join the battle, the Chechen president's aid Movlen Salamov told ITAR-TASS today.

By all appearances the forces which have remained loyal to Dzhokhar Dudayev are really getting ready for action. Dzhokhar Dudayev has appointed his military adviser Musa Merzhoyev Chechnya's military commandant. All posts on the roads leading into Grozny have been reinforced with armed vehicles and artillery. The city administration today issued a special order to relevant services and departments to put on red alert the personnel and fire fighting equipment and to ensure steady operations of the installations supplying the city with energy, water and natural gas.

Officials have been ordered to be at their work places around the clock. People attending the meeting in front of the presidential palace for the third subsequent day have been invited to sign up as militia volunteers. No weapons are given out to the volunteers which dampens their militancy considerably. Calls on both sides not to allow civil war to break out and to sit down at the negotiating table have been voiced at the meeting and on local television.

Official Grozny thinks that "Russia has already begun an intervention in Chechnya with the hands of its henchmen from among the Chechens."

Movlen Salamov cited the Chechen security service in saying that "the opposition forces in the Nadterechny district are getting Russian arms and equipment, and their hitmen are being trained on Russian territory, while many Russian military advisers are present in the Nadterechny district itself."

Curiously, Grozny fears least of all action on the part of the provisional council headed by Umar Avturkhanov. Authorities in Grozny find numerous and determined supporters of Ruslan Khasbulatov much more dangerous for themselves. These supporters have sent an ultimatum to Dzhokhar Dudayev, demanding that he step down as president before August 25. It is unclear what action these forces are likely to take if their ultimatum is turned down.

The inhabitants in the capital and the entire republic are full of anxiety, fearing the worst to happen.

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Dudayev Accuses Russia of Invasion*LD2308154194 Moscow ITAR-TASS in English
1457 GMT 23 Aug 94*

[Text] Moscow August 23 TASS—Chechen President Dzhokhar Dudayev reiterated Tuesday his accusations that Russia “has factually invaded” her break-away republic.

The CHECHENPRESS news agency cited Dudayev as saying on the national radio that “with the help of national traitors a stronghold is being created (by Russia) in the settlement of Znamenskoye to start a big-scale war” against Chechnya.

The news agency said that a non-stop rally is going on in Grozny. Representatives from all the Chechen districts are demonstrating their adherence to the idea of national sovereignty. Similar public actions are being held throughout the republic, according to CHECHENPRESS.

Claims of Nuclear Weapons Denied*LD2308173794 Moscow ITAR-TASS in English
1656 GMT 23 Aug 94*

[by ITAR-TASS correspondent]

[Text] Moscow August 23 TASS—A report of the CHECHENPRESS news agency circulated here today says that “the Chechen government has appealed to the U.N. special commission with a request to send special representatives to the Chechen Republic and take under international control storages of mass destruction weapons, including the nuclear ones, in connection with sabotage actions of Russian secret services on Chechen territory and a real threat of acts of sabotage at these facilities”.

Authoritative sources in Moscow told ITAR-TASS “there is no mass destruction weapons, the more so nuclear ones, on Chechen territory. It is another invention, same as accusations ‘of intrigues of Russian secret services’ which have set the teeth on edge”.

Reports on Arming Grozny ‘Ungrounded’*LD2308162694 Moscow ITAR-TASS in English
1540 GMT 23 Aug 94*

[By ITAR-TASS correspondent Sergey Ostanin]

[Text] Moscow August 23—Reports of some mass media bodies that the Russian armed forces allegedly supply materiel, armaments, ammunition and equipment to Chechen opposition groups are ungrounded, sources at the Russian Defence Ministry’s Information and Press Department told ITAR-TASS today.

According to the department, there are no Russian units on Chechen territory, and the ministry has not supplied and does not plan to supply arms and materiel to

Chechen opposition groups. It also does not plan any “solution by force” of the Chechen political crisis, said the sources.

In the opinion of the Russian military, provocative rumors and conjectures only aggravate the regional situation and North Caucasian problems can be successfully settled only with civilized political and peaceful constitutional methods.

Close Supporter of Dudayev Switches Sides*LD2308163794 Moscow NTV in Russian
1500 GMT 23 Aug 94*

[Text] The Russian military department strongly denied again today Grozny’s allegations that experts and military personnel from Russia are now with the opposition.

In the meantime, Chechnya’s president Dzhokhar Dudayev told the government sitting on 23 August that Sultan Geliskhanov, head of the state security department and one of Dudayev’s closest supporters, has joined the opposition. Dudayev has instructed heads of power structures [silovye struktury] to arrest the traitor, who is being accused of giving some armor and weapons to the opposition, POSTFACTUM reports.

Report on Switching Sides Denied*LD2308194394 Moscow NTV in Russian
1800 GMT 23 Aug 94*

[Text] An information war is raging in Chechnya. Both sides are feeding to the press the information that they need, to have it subsequently denied. POSTFAKTUM reported today for example that Dzhokhar Dudayev had declared in an address that Chechnya’s state security chief Geliskhanov had joined the opposition. Some time later the agency denied this report, quoting the CHECHENPRESS agency. Grozny says that the rumors of Geliskhanov’s treason are being circulated by the opposition which is closely linked with the mafia.

Chechnya Meeting Expresses Support for Dudayev*LD2308195694 Moscow ITAR-TASS in English
1923 GMT 23 Aug 94*

[by ITAR-TASS]

[Text] Moscow August 23 TASS—A joint session of the Chechen Presidential Council and the Parliament of the Confederation of Caucasian Peoples, a public organization of north Caucasian republics and Abkhazia, was held here on Tuesday to discuss the Chechen situation.

The session supported the policy of Dzhokhar Dudayev and denounced the activities of the opposition. Head of the Chechen Press and Information Department Movladiy Udugov told ITAR-TASS over the telephone. Participants also said the confederation will support the

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Chechen sovereignty in case of a Russian armed aggression against the Chechen Republic.

In the opinion of Udugov, the opposition rally scheduled for August 25 is estimated by official Grozny as "intrigues of Russian secret services".

The Chechen armed forces' general headquarters warned residents of populated localities where the opposition units are stationed about the real threat to their security as the Grozny authorities plan to neutralize the activities of the "illegal armed groups," said Udugov.

He also said that the Grozny authorities have appealed to the United Nations with a request to send observers to the Chechen Republic in view of "a Russian armed aggression against the republic".

Dudayev Supporters Continue Rally

LD2308142994 Moscow INTERFAX in English
1302 GMT 23 Aug 94

[Text] A rally of supporters of President Dzhokhar Dudayev which started last Sunday is still continuing on one of the central squares of Grozny, Chechen Information and Press Minister Movladiy Udugov told Interfax Tuesday.

The demonstrators numbering 5000-6000 during the day support Chechnya's independence and sovereignty and are protesting against the activities of the former speaker of the Russian parliament, Ruslan Khasbulatov. At night the square located in front of the presidential palace (where the Chechen opposition plans to hold a rally on August 25—Interfax) is guarded by armed Dudayev supporters.

Udugov said the parliament of the Caucasian Peoples' Confederation had opened its session in Grozny earlier this afternoon to discuss the situation in and around Chechnya as well as the confederation's plan of action.

In the meantime, Dudayev said on Chechen radio that "Chechnya was living under the conditions of Russian intervention." He said that Russian servicemen and military equipment had been sighted in the Nadterechny district controlled by the opposition Interim Council.

Chechen Radio Interfering With Air Traffic Control

LD2408100894 Moscow ITAR-TASS World Service
in Russian 0946 GMT 24 Aug 94

[Text] Moscow, 24 Aug (ITAR-TASS)—A radio station illegally broadcasting on the frequencies used by the Russian Directorate for Flight and Air space Control has been identified in Chechnya recently, ITAR-TASS has learned from informed sources.

The work of the radio station, according to the same sources, endangers the safety of all types of aircraft,

including passenger airplanes, and complicates the work of Russian air traffic control services.

Relevant technical measures are being taken to stop the station's broadcasts.

Grozny Reports Situation Deteriorating

LD2308193694 Moscow INTERFAX in English
1805 GMT 23 Aug 94

[Text] Reports from Grozny indicate the deterioration of the situation in Chechnya. Grozny regards the ultimatum made by supporters of the former speaker of the Russian parliament Ruslan Khasbulatov, demanding that General Dzhokhar Dudayev resign from the post of president by August 25, as a threat of force.

The armed formations of Ruslan Labazanov, Bislan Gantamirov and several others are reportedly on the side of Khasbulatov. They will all turn out for a rally which the united opposition intends to hold in Grozny on August 25.

According to Chechenpress news agency, for this reason all approaches to the capital are guarded by groups reinforced with armored vehicles and artillery. The city administration has ordered the creation of a five-day store of water at plants and offices and alerted fire-fighting services.

A session of the Confederation of the Peoples of the Caucasus in Grozny on Tuesday confirmed the decision of the confederation to dispatch armed formations to Chechnya in the event of an aggression by Russia.

The Chechen Foreign Ministry announced that in light of the escalation of Russian threats, the leaders in Grozny have appealed to the United Nations to send international observers to Chechnya.

Observers 'Skeptical' About Dudayev's Chances

MM2408091194 Moscow KRASNAYA ZVEZDA
in Russian 24 Aug 94 p 3

[Report by Petr Karapetyan: "For Whom Will the Bell Toll in Chechnya? Opposition Tightens Ring Around Grozny. Dudayev Still Accuses Russia of 'Preparing for Occupation'"]

[Text] Ruslan Khasbulatov has been demonstrating enviable activeness over the last few days. The Russian parliament's ex-speaker has been holding one rally after another. In Shali, near the base of a tank regiment loyal to Dzhokhar Dudayev, another Ruslan—Labazanov—addressed a gathering after Ruslan Khasbulatov. Is this a coincidence or have the Ruslans decided to act together? I would remind you that Labazanov previously did his utmost to stress his independence from the other opposition leaders.

Another of Dzhokhar Dudayev's adversaries—Beslan Gantemirov—has settled down in the rayon center of

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Urs-Martan. It is just over 20 km from there to Grozny. And Umar Avturkhanov's detachments are receiving daily reinforcements of 30-40 volunteers in Nadterechny Rayon.

There is every indication that Dzhokhar Dudayev is preparing for perimeter defense and is stationing posts reinforced with tanks on the approaches to Grozny. But at the same time he does not tire of accusing Russia of "preparing for occupation."

For whom will the bell toll in Grozny—Dzhokhar or the opposition? Observers take a fairly skeptical view of Dudayev's prospects. All his attempts to goad Russia into an armed conflict have been in vain and he seems to be starting to realize this. He can of course come to the negotiating table, but Dudayev will never agree to talks, nor will he resign. So just one option remains....

It is hard to rid oneself of the feeling that Dudayev and the opposition are "rehearsing" for that option alone.

Chechen Organization Issues Appeal To Prevent Bloodshed

*LD2408102794 Moscow ITAR-TASS in English
1004 GMT 24 Aug 94*

[By ITAR-TASS correspondent Sergey Ostanin]

[Text] Moscow August 24 TASS—An appeal to prevent bloodshed in Chechnya has been often made by Chechen public organisations nowadays. A statement made by the coordinating council of the Chechen public and political organisation "Gulan", which was forwarded to ITAR-TASS today, says that is necessary to prevent civil war in Chechnya. The document contains an appeal to Chechen political leaders to pass over from confrontation to a dialogue, to the reconciliation and settlement of all problems by political means, by means of real, rather than a "decorative" people's congress.

This idea was supported by representatives of Chechen regions who met in conference in the settlement of Tolstoy Yurt on Tuesday. Participants pointed out that political problems in the republic should be resolved by peaceful means only, including negotiations, meetings and marches.

Bus Hijacked, Hostages Taken in Neftekamsk

*LD2408085794 Moscow ITAR-TASS World Service
in Russian 0815 GMT 24 Aug 94*

[By ITAR-TASS correspondent Raul Tukhvatullin]

[Text] Ufa, 24 Aug—A bus that was leaving the Bashkir town of Neftekamsk was seized today by a hijacker named Aleksandr Kazakov. The man took eight passengers, milkmaids from a nearby collective farm, hostage. Then he demanded that the authorities give him 10 million rubles and free passage on the GAZ-66 bus with the hostages. He wants to go to the village of Korkino in Chelyabinsk Oblast.

Kazakov, a refugee from Kazakhstan who was born in 1960, received a residence permit for Neftekamsk on 5 August. This morning, he threatened a militiaman with a sawed-off shotgun, disarmed him, and took away his Kalashnikov assault rifle. He then seized the bus and dictated his terms. Also with him is a resident of the local hamlet of Vorobyev, Yana Podryadova, and two children.

Special teams from Bashkiria's ministries of security and internal affairs have gone to the scene. The details of the incident are being investigated.

Sakhalin Security Chief on Foreign Services

*LD2308134594 Moscow INTERFAX in English
1131 GMT 23 Aug 94*

[Text] Special services of foreign states have stepped up their activities in the Sakhalin region lately, head of the regional Counterintelligence Service, Valentin Bezlepkina, told Interfax. According to the service, of the 43 diplomats who visited the region 16 are special service agents. Virtually every delegation to the island is in touch with a special service.

Bezlepkina noted that foreign intelligence agents wanted to know about finances and economics in the region and gathered data on banking, international contacts, contracts on the shelf, and sample public opinion.

He voiced anxiety at the "excessive trustfulness" of some local officials, enterprise managers, and citizens, and advised that foreigners should be treated with a certain caution, all the more so as a state secret bill has never been passed in Russia.

He said he was alarmed that foreigners were visiting the region far too often, and that anyone could get a seaman's passport, making it possible to travel abroad freely and establish contacts with foreign criminal gangs.

Nuclear Shipbuilders Convert to Oil-Equipment Production

*MM2308142594 Moscow Ostankino Television First
Channel Network in Russian 0545 GMT 5 Aug 94*

[From the "Conversion and the Market" program: Video report by scientific observer Aleksandr Fedorovich, identified by caption]

[Excerpts] [passage omitted] [Fedorovich over video of large metal doors opening] This kind of footage is frequently described in the West as sensational. Indeed, the Russian center of nuclear shipbuilding is among the biggest in the world. It got into the news when it became known that, instead of nuclear submarines, the "Sevmash" plant will be building unique drilling equipment for oil and gas extraction on the Barents Sea shelf. This is the plant's conversion program. Sevmash is one of the founder members of Rosshelf—a Russian company for the development of the Arctic Ocean shelf. [passage omitted]

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Let me remind you that the Shtokman gas field is considered one of the world's biggest. It was discovered in the thirties and is located on the Barents Sea shelf some 250 km northwest of Novaya Zemlya. Estimated reserves total three trillion cubic meters of gas. Rated extraction capacity is 50 billion cubic meters of gas per year. These offshore reserves have long attracted the interest of Western companies. Not surprisingly. The Arctic Ocean's gas and oil reserves are an attractive capital investment proposition. Russia is not exactly indifferent to the mineral wealth either. The history of the battle for the Shtokman deposit is now generally known. The right to develop this and other Arctic deposits was won by the Russian Rosshelf company. The winners are under no illusions. Rosshelf is ready to cooperate with Western companies in the Barents Sea. According to representatives of the Russian company, there is enough work for all—right from the development of special equipment for deep-sea oil and gas extraction, to ice-proof platforms, underwater tankers, pumps, and emergency rescue equipment. Rosshelf will use the Russian producer of nuclear submarines, the Sevmash Plant, as its main supplier of equipment and technologies for this "project of the century." Sevmash is a huge defense enterprise. [passage omitted]

No. Ossetian President Views Returning Refugee Issue

LD2308195194 Moscow ITAR-TASS in English
1707 GMT 23 Aug 94

[By ITAR-TASS correspondent Valeriy Shanayev]

[Text] Vladikavkaz August 23—The return of refugees and those forcibly resettled must be handled with consistency. Attempts to hasten or force the people's comeback to areas of compact residence may make things worse in areas under the state of emergency, North Ossetian President Akhsarbek Galazov said at the Tuesday meeting with Vladimir Lozovoi, head of the Russian Interim Administration which is governing some territories of North Ossetia and Ingushetia.

The meeting in the residence of the Interim Administration head was attended by members of the North Ossetian commission which was authorized to manage, jointly with the Interim commission and Ingushetia's commission, all problems related to refugee return.

The talks centered on the procedure of returning refugees to four places of the disputed Prigorodny district - Chermen, Dongaron, Dachnoye and Kurtat. The procedure accord was signed on June 26 of this year by the presidents of North Ossetia and Ingushetia and the Interim Administration head.

President Galazov said the North Ossetian commission had drafted a schedule which conforms to the return procedure and Russian president's decrees and, moreover, lays foundations for settlement in the conflict region and for further dialogue with Ingushetia.

Sequential settlement and peace in the region are achievable only by careful and coordinated efforts of all parties in the Ossetian-Ingushi conflict and all involved in the refugee return, it was stated at the meeting.

Meanwhile, military sources say the situation is fairly stable in the conflict region, where a state of emergency was introduced until September 31 by Russian presidential decree. No ethnic quarrels were reported in the region during the last 24 hours. A Russian military unit under the interim administration and local law enforcement agencies are maintaining the state of emergency.

Tatar Body Assails Russian, Georgian 'Interference'

LD2308212594 Moscow INTERFAX in English
1556 GMT 23 Aug 94

[Text] Leaders of the All-Tatar Public Center [ATPC] described as "crude interference into the internal affairs of sovereign Tatarstan" the statements issued by the Russian and Georgian Foreign Ministries on the Abkhazian-Tatar Friendship and Cooperation Treaty. The Center is an organization uniting those who support Tatarstan independence.

The statements of the Russian and Georgian ministries said that a treaty between Tatarstan (a republic incorporated in Russia) and Abkhazia (an autonomy which has de-facto broke away from Georgia) harms the unity of both Russia and Georgia.

The ATPC Presidium emphasized that the Tatarstan Constitution and the treaty recently signed by Tatarstan and Russia enable Kazan to pursue its own foreign policy. The Russian and Georgian allegations that the treaty trespasses on Russia's and Georgia's territorial integrity are described as "crude baseless accusations."

The ATPC resolutely protests what it calls the political game playing Moscow and Tbilisi engage in.

International Affairs

Defense Ministry Said To Contemplate Arms Sales to Bosnia

MK2308115294 Moscow SEGODNYA in Russian 23 Aug 94 p 5

[Report from Odessa by Yuriy Selivanov under the "Export" rubric: "Ukrainian Arms Could Emerge in the Balkans. It Turns Out that the Bosnian Moslems' Best Friends Are at the Ukrainian Defense Ministry"]

[Text] According to the local mass media, circles close to the Ukrainian Defense Ministry are busily contemplating the possibility of massive exports of Ukrainian arms to Bosnia and Hercegovina in case the embargo on arms sales to the Bosnian government is lifted. They explain that Ukraine, which has considerable excesses of arms from the former Soviet Army, is capable of arming within the shortest possible period hundreds of thousands of Moslem combatants. The United States is displaying particular interest in Ukraine as a potential arms supplier to Bosnia. According to reports from knowledgeable sources, it has also been made clear to Kiev that the duration and forms of Ukraine's accession to the European Community will depend on its readiness to meet the West halfway on the issue. The Ukrainian side, for its part, has expressed particular interest in selling arms in the Balkans also because this would give it a rare, if not its sole, opportunity to gain access to the world arms market.

Knowledgeable sources claim that the problem of Ukrainian arms deliveries to Bosnia and Hercegovina was discussed during a recent visit to Ankara by Ukrainian Defense Minister Vitaliy Radetskiy. The Turkish leadership was enthusiastic about Ukraine's intention to actively participate in arming the faithful.

In the view of analysts, if Kiev actually agrees to play an active role in arming Moslem formations in Bosnia and Hercegovina, this may lead to a serious heightening of tensions in relations between Ukraine and Russia. For all its critical attitude to the Bosnian Serbs, Moscow continues to energetically object to lifting the arms embargo on arms sales to the Moslems, and, without doubt, it will be extremely irritated to see among the advocates of this solution Ukraine, which has recently signed serious documents with Russia on coordinating the two states' foreign policy activity. Among other things, they laid down the principle of joint consultations and coordination before making any important foreign policy decisions.

Observers attribute such recent discrepancies in the actions of various government authorities in Kiev to the inevitable consequences of a transition period, when new presidential structures have yet to assume complete authority and other departments are exploiting this lack of control. But this situation is unlikely to last long. Leonid Kuchma continues to actively form his own

government team. It is expected that in the near future a decision on the defense ministry will also be made. Observers put Vitaliy Radetskiy's chances to stay on at his post at 30 to 70. The minister's current maneuvering over the question of arms sales to Bosnia and Hercegovina will hardly raise his rating in the president's eyes.

Donbass Area Reacts to Possible Accession to GATT

LD2408103894 Moscow ITAR-TASS in English 1027 GMT 24 Aug 94

[By ITAR-TASS string correspondent Lyudmila Gordeyeva]

[Text] Donetsk August 24 TASS—A report that U.S. President Bill Clinton's administration was planning to send consultants to several countries, including Ukraine, to prepare the ground for their accession to the General Agreement on Tariffs and Trade (GATT) has triggered lively repercussions in Donbass, the main industrial centre of Ukraine.

The country's possible accession to GATT instills hope in the hearts of Donbass industrialists that in case of their membership in that organisation they will enjoy better treatment on the western market, the Donetsk radio said in its economic review. Seven out of the 22 anti-dumping hearings, started against Ukraine last year, have already been lost. They include the case with the export to Canada of rolled metal from the "Azovstal" combine in Mariupol. In spite of its high quality, confirmed by thirteen international certificates, the Mariupol steel makers feel themselves most uncomfortable on the western market. An anti-dumping tax was also imposed on mineral fertilisers, a traditional Ukrainian export commodity. This makes trade with these goods on the world market unprofitable for Ukraine.

Ukraine's accession to the General Agreement on Tariffs and Trade will not give the green light to its goods, of course, but it will at least make more orderly its trade relations with other countries. Of course, Ukraine still needs to create a national legislative basis, corresponding to the world requirements.

Crimean Deputy Speaker on Joint Sevastopol Accord

LD2308184694 Moscow INTERFAX in English 1648 GMT 23 Aug 94

[Text] Crimean Deputy Speaker Aleksey Melnikov believes that the decision by Russia and Ukraine on the governmental level on "the return of Sevastopol to Russia" is "fair."

At the same time, he described the decision as a "possible remote prospect" in an interview with the parliamentary newspaper Krymskiye Izvestiya Tuesday. It would

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be more realistic if Sevastopol first became part of Crimea in accordance with the Crimean Constitution, Melnikov said.

"Who possesses Sevastopol possesses Crimea as well," he said.

Melnikov pointed out that the Crimean parliament and the Sevastopol City Council have already created corresponding commissions which are already at work.

Melnikov said Sevastopol is the only legally Russian city in Crimea, because the resolution of 1948 was never annulled in 1954 (when the whole of the peninsula was transferred from Russia to Ukraine by order of Nikita Khrushchev - IF note).

At the same time, he pointed out that the city was the isolated from Russia and even from Crimea because of its special status. Along with Kiev, Sevastopol is subordinate directly to the Ukrainian authorities.

The status of Sevastopol will be discussed at a special session of the Sevastopol City Council which started work on Tuesday.

Prior to this, the chairman of the city council, Viktor Semyonov, said the session would consider the issue with the aim of "reminding" of the results of the July 26-poll when the majority of city residents voted for Sevastopol to be the main base of the Russian Black Sea Fleet.

U.S. Delegations Show 'Heightened Interest' After Election

MM2308122394 Moscow KRASNAYA ZVEZDA in Russian 23 Aug 94 p 3

[Report by Grigoriy Nesmyanovich: "U.S. 'Invasion' of Ukrainian Soil. Last Week Kiev Received Three U.S. Military Delegations at Once"]

[Text] The reasons for the heightened interest in Ukraine being shown by U.S. experts should most probably be attributed to the country's new president, who in his first few days in office has already shown considerable decisiveness in his actions, notably as regards the power ministries.

If things continue in the same vein—that is to say, if Leonid Kuchma gets down in real earnest to fulfilling his election promises—we should not have long to wait for substantial modifications in the country's foreign policy course. And the Americans, naturally, would like to be ready for this.

The first group of the "invasion forces," headed by Colonel D. Myers, chief of the U.S. Land Forces command's department of propaganda and public relations, set itself the goal of studying Ukrainian Army experience and work on acquiring manpower and organizing the induction of new conscripts. Work was carried out both among the troops and in military commissariats.

The second group was headed by Admiral P. Miller. The Ukrainian side was represented in talks with the admiral by Ukrainian Army General V. Radetskiy, minister of defense; Col. Gen. A. Lopata, chief of the General Staff and first deputy defense minister; and Naval Forces Vice* Admiral V. Bezkorovaynyy. Questions discussed included the implementation of plans under the "Partnership for Peace" program and Ukraine's participation in it, joint efforts to maintain peace in the region, and U.S. and Ukrainian Armed Forces participation in UN peacekeeping operations. The question of the division of the Black Sea Fleet was also broached. Moreover, the U.S. delegation offered their colleagues aid in the form of consultation and shared their accumulated experience in questions of leasing naval bases on the territory of other states. Ukrainian Army Gen. V. Radetskiy noted that in the negotiating process on the Black Sea Fleet some progress had been recorded concerning collaboration between the fleets. The recent joint maneuvers by eight countries, organized by Bulgaria, in the waters of the Black Sea were cited by way of an example in this connection.

And finally, the third group in the "invasion forces" brought to Kiev specific proposals on affording the Ukrainian side technical and financial aid in dismantling nuclear missiles. In particular, an accord was reached on deliveries of special reservoirs to hold the toxic liquid fuel heptyl, which is being drained from the tanks of missile carriers.

Zlenko on Goals, Integration With East, West

WS2308103094 Kiev HOLOS UKRAYINY in Ukrainian 10, 11, 12 Aug 94 pp 5

[Article by Ukrainian Foreign Minister Anatoliy Zlenko, published serially over three consecutive days: "Ukraine: A New Dimension"]

[Text] On the threshold of 21st century, the world is rapidly changing its appearance. Geopolitical areas and blocs are splitting up; new states and political and economic unions are emerging. Ukraine, a new state which has appeared on the political map of the world, is gradually strengthening its position in this historic turmoil. A number of specific steps have been made toward Ukraine's establishment in the world community. In particular, the range of national priorities in the sphere of foreign policy has been defined. Ukraine has been admitted to such leading financial organizations as the IMF and the International Bank for Reconstruction and Development; and the issue of joining GATT is gradually being resolved. Ukraine has become a full-fledged CSCE member and has initiated close cooperation with such institutions as the European Union [EU], the Council of Europe, and the West European Union. Ukraine was the first CIS member to sign the Agreement on Partnership and Cooperation with the EU. Our state has joined the NATO "Partnership for Peace" program and is closely cooperating with the North Atlantic Cooperation Council [NACC].

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Ukraine has signed and ratified the START treaty and has signed tripartite agreements regarding the withdrawal and elimination of nuclear arms. This has become an important step toward acquiring the nonnuclear status proclaimed by Ukraine back in July 1990. Along with this, it is vitally important for Ukraine's future and national security to have a distinct orientation in the new geopolitical environment, to properly build its relations with its close neighbors, to outline more explicitly than before the strategic foreign interests mapped out in the "Primary Directions of Ukraine's Foreign Policy."

1. To a Common Home

The forming of Ukraine's new geopolitical environment is affected by two opposing trends—the former system that used to exist "to the east of the Berlin Wall" is becoming disintegrated and decentralized; while new integrative subregional structures are being formed in East and Central Europe, and existing ones are being transformed. Disintegration has dominated in the east of the European continent, however at the current stage, there is a more noticeable trend to discontinue this process and to gradually enter a new level of subregional cooperation.

It is easy to notice that at least three integrative "spheres" are developing in Europe. The first is represented by West Europe, in which "the Maastricht process" is gradually developing, its aim being to unite this part of the continent into one geopolitical space in both practical and legal terms. The second "sphere" is represented by Central Europe and the Baltic states. A certain artificial element in combining six Central European states with three Baltic republics has been introduced by the West. This element causes differences in the orientation of these states' national interests and, at this point, does not allow this region to be referred to as a geopolitical entity. At the same time, the states of this region are, more or less successfully, overcoming the critical phenomena in their development and for this reason can be singled out as a particular group with "an integrative element."

The third "integrative sphere"—the East European states—comprises the former USSR republics that have set up a specific interstate entity—the CIS. Each CIS member-state has interests and goals of its own, as well as its own perception of the essence of this entity. It cannot, however, pass unnoticed that Russia is trying to play a dominant role in the CIS, which has been officially substantiated by a number of facts.

It is typical that virtually every Central or East European state would be happy to engage in integrative processes similar to the Maastricht process. However, in light of current realities, the West European "common home" is not ready to "open its doors" wide to the East European neighbors.

To achieve Ukraine's full-fledged integration in the European political and economic space, we should seek

an answer to one question: To what extent does Ukraine's participation in particular European and world processes guarantee its national security and correspond to its national interests, as well as to the vital strategic interests of a nation striving for sovereignty?

In my opinion, the nation's superior interest lies, first of all, in the formation of a civic law-governed society that safeguards the political, social, and spiritual interests and rights of all its members on the basis of material riches achievable at the current stage.

To exist as a sovereign state, Ukraine needs reliable protection of its interests, guaranteed self-sufficiency, and progressive development in a favorable environment. This is the aim of Ukraine's foreign policy, which is concentrated on providing the external conditions for security within the general context of a national security policy.

It is natural that at a time of socioeconomic crisis in Ukraine most political parties and social categories are emphasizing the supreme priority of national interests that call for the stabilization of our state's social and economic life.

One typical thing in the development of the majority of post-totalitarian societies is the fact that realizing vitally important interests is virtually impossible in the absence of true political sovereignty and close interaction with the international community.

To achieve this, we should hold an open dialogue with the world around us, viewing this as a solid basis for bilateral relations with all interested partners. We should thoroughly expand Ukraine's participation in international institutions and organizations, and in the system of economic and political processes at the global and regional levels. In other words, Ukraine should become a reliable, natural, and predictable partner in international relations and use its characteristic traits to enrich these relations and increase their stability.

2. In Search of Partners

Taking the current realities into account, we should acknowledge that a paradoxical situation has developed: At this point, life is definitely bringing to the fore the issue of overcoming the sociopolitical crisis and stabilizing the state's economic and political situation. In light of the close relationship, and even dependence of the functioning of Ukraine's socioeconomic sphere on the immediate geographical environment—that is, the former Soviet republics, particularly Russia—it would be natural to seek ways to resolve the problems in cooperation with those states. Russia should indubitably be regarded as our primary partner.

This phenomenon has caused and continues to cause fiery discussions over the strategic choice of Ukraine's further movement in the new geopolitical space. Using all kinds of arguments, and often driven by emotions, the participants in these discussions often reproach the

Ukrainian leadership and the Foreign Ministry for their "ambiguous foreign policy strategy," a pro-Western or, quite on the contrary, pro-Russian stance, and so on.

The issues of ensuring Ukraine's national security at the international level are equally pressing. We have to resolve these problems under circumstances that have no parallel in world practice—having voluntarily renounced nuclear arms, and moving forward along the rocky path toward nonnuclear status, we are desirous of staying out of blocs and mending the consequences of the former USSR's disintegration.

In light of this, the problem arises as to the strategic choice regarding both the lines along which we are to move toward integration and the allies we are to have in the new geopolitical space.

The CIS represents the "eastern vector" of Ukraine's integration movement. Without attempting to provide an historical analysis of the appearance and the contradictory development of this interstate entity, which was meant to fill "the post-Soviet vacuum" on the former USSR's territory, let us try to outline the socioeconomic consequences of Ukraine's integration in the "single Eurasian space," more and more often referred to as the CIS.

It is evident to all in Ukraine that the issue of exiting the socioeconomic crisis tops the list of national priorities.

Bearing in mind the economic, geopolitical, and military-strategic aspects of the problem, we should realize that Ukraine is undoubtedly interested in restoring the old economic ties and initiating new ones with CIS members, first and foremost with Russia. This is an axiom and a constant component of Ukraine's foreign policy. Normal and equal economic relations with the Commonwealth states are a powerful driving force for healing the economy and overcoming the crisis.

The current problem lies in the fact that—on the one hand—Ukraine has not achieved the level of compatibility that would allow rapid integration in the European economic space. On the other, it experiences incompatibility between its economic structure and those of many former USSR members and other Eurasian states. The West has market structures and novel technologies, and is making comparatively steady progress; the East, faced with the need to establish traditional economic ties, is characterized by vast markets and technological backwardness.

If Ukraine, in view of its unique geopolitical situation, leans excessively to either side, it would either completely ignore the actual state of things in the national economy or else find itself in danger of isolation from an integrated Europe with a kind of "economic Curson line." This would undoubtedly slow down reform of the socioeconomic structure and the process of gradual admission to European and world economies.

The geopolitical aspect of the process of expanding and stepping up reintegration in "the Eurasian space," in particular on the former USSR's territory, becomes evident once we define Russia's geostrategic goals. Russia is the unquestioned leader of the CIS and the most powerful postcommunist state.

Just as in any other country, Russia has its national interests which, incidentally, it makes no effort to conceal. From the angle of objective reality these are geopolitical interests of a great power. Correspondingly, while confirming its status as a great power, Russia, quite naturally, is regarding the former USSR's geopolitical space as the sphere of its vital interests.

In my opinion, Ukraine's stance toward these issues should be explicit. A strong, democratic, independent Ukraine more than anybody else needs a strong, democratic Russia.

Failure to carry out democratic reform in Russia or Ukraine would bring to power the forces preoccupied with "a search for enemies," a search for those who can be blamed for the critical phenomena. Such forces would be objectively interested in provoking anti-Ukrainian or anti-Russian sentiments.

I would like to comment on another issue, directly connected with what I have said above. These are interethnic relations and their influence on mutual understanding at the interstate level.

Although according to sociological polls, only some 10 percent of Ukrainian residents regard the threat of interethnic conflicts as real, it would be wrong to look on passively while certain political forces in Ukraine and abroad are trying to play "the ethnic card" in Crimea, western, and eastern Ukraine.

The coexistence of the two nations—Ukrainian and Russian—within the framework of one state has produced "a porous border," the mixing of people, and powerful migration streams over the course of several centuries. As a result, around 12 million Russians live in Ukraine, while 4 to 5 million Ukrainians inhabit Russia's border oblasts alone.

The instability or exacerbation of Ukrainian-Russian relations could significantly affect the situation of these large ethnic groups. In psychological terms, many of these people find it difficult to regard Ukrainian-Russian relations as interstate contacts. That is why the two groups are very sensitive about the instability of relations. Russians and Ukrainians living outside their states find it hard to regard themselves as "ethnic minorities" on "foreign territory." That is why safeguarding equal civil rights and harmonious ethnic relations is another important argument in favor of balanced, stable, and equal relations between Ukraine and Russia. The same thing goes for the general situation in the CIS.

3. European Choice

According to one of the primary goals of Ukraine's foreign policy concept, Ukraine can and should become

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an influential state capable of playing a significant role in ensuring political and economic stability in Europe. Some people may regard this statement as somewhat premature and utopian in light of Ukraine's current tense situation in the social, economic, and political spheres. However, Ukraine is actually an acknowledged European entity, and when speaking about the future architecture of European politics and security, one cannot ignore Ukraine's role and place in these processes.

The priority regional directions of Ukraine's foreign policy are its activities in the CSCE, the NACC, and the Black Sea Cooperation Council, as well as its interaction with other regional and subregional structures. Ukraine is making efforts to become a full-fledged member of the Council of Europe in the near future. Our state's foreign policy is developing at the subregional level, too. It would be in line with the current realities and the national interests of Central and East European states to form an "integrative space" in that region. The first steps in that direction have been made by the members of the so-called Visegrad Group (Hungary, the Czech Republic, Slovakia, and Poland). Another regional association—the Central European Initiative—is also gaining ground. It has been joined by a large group of states, and Ukraine is actively cooperating with it.

When pondering Ukraine's access to the European integrative processes and its possible participation in European security structures, the logical question arises: How does Ukraine's desire to take an active part in establishing and strengthening the mechanisms and institutions of international security correlate to its desire to "become in the future a permanently neutral state," which is proclaimed in its foreign policy documents?

To properly comprehend the phenomenon of Ukraine's neutrality we must take into account not only the historical situation in which this idea took shape, but also the objective evolution of the notion of "neutrality."

The Declaration of Ukraine's National Sovereignty and subsequent acts passed by the independent state proclaimed Ukraine's desire to become neutral. What was implied was the process of acquiring neutrality, that is, a movement toward neutrality. Moreover, in light of the historic experience by young independent states in the late 1950's and 1960's of proclaiming neutrality by unilateral declarations, we should rather speak of a policy of neutrality, as well as a policy of non-alliance.

Neutrality in general and Ukraine's neutrality in particular should be regarded in the context of the economic and political integrative processes in Europe. We can claim that the "classic" notion of permanent neutrality has ceased to exist, in view of the realities of the European processes that are constantly changing due to the fact that the "cold war" has ended, the open bipolar confrontation of blocs has been eliminated, and NATO, as well as other European institutions, have been transformed with an eye to establishing a common European security system.

The changes in the policy of European "classic" neutral countries—Austria, Switzerland, and Finland—testify to this. These states' approach to neutrality is changing and some of them have started participating in the NACC and Partnership for Peace (just like Ukraine). Sweden, for instance, has declared its intention to review its traditional policy of neutrality that it pursued over a historically long period of time. At the same time, these states emphasize their interest in the European integrative processes and in participation in European structures, including military-political ones.

Ukraine's direct and multifarious participation in the future Europe-wide security system that is being formed on the basis of CSCE, NACC, NATO, and the West European Union is a reliable guarantee of our national security. This system would be truly universal and all-encompassing, and would embrace all the European states, including Russia and CIS members.

Ukraine is almost "destined" to become a sort of a bridge between Europe and Eurasia due to its unique geopolitical situation, history, and geography.

To achieve this we badly need stable, normal, equal, and mutually advantageous ties with both eastern neighbors—Russia and other CIS members—as well as our closest western neighbors—the Central and East European states.

By developing and expanding cooperation in these primary areas, we will demonstrate to the European community our goodwill and readiness to participate in those historically irreversible processes that are currently prevailing in the world.

National Affairs

Moroz Speech at Independence Ceremony

LD2308233994 Kiev Radio Ukraine World Service in Ukrainian 1410 GMT 23 Aug 94

[Speech by Supreme Council Speaker Oleksandr Moroz at the independence ceremonial assembly at the Ukraina Palace in Kiev—live]

[Text] Esteemed participants in the ceremonial assembly and dear compatriots: I congratulate you sincerely and wholeheartedly on the festive occasion of the independence of Ukraine. [Applause]

It is for the third time now that we celebrate this date, and it was special every time, the mood ranging from romanticism and euphoria, to the concerns and difficulties of the transitional stage, and to the understanding of the fact that these difficulties are now on the scale that requires an answer to the question asked centuries ago: to be or not to be. Will there be or will there not be a state of Ukraine?

That is why I shall not recall how many states have recognized Ukraine, what attributes of it we have

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defended and secured, and what achievements we have made. I think it appropriate to concentrate at this assembly on several general problems that we are faced with and that require clear ways to be resolved by the political leadership, and state and economic structures, on the one hand, and by the general public, on the other.

Above all, let us regard as the starting point the choice made by the people on 1 December 1991. It was the choice made precisely by the people, rather by separate parties—public, political, power, or regional organizations. This is a very important point, for it is exactly this that makes the independence of Ukraine a historically objective fact not to be ignored by anyone. That, of course, was preceded by the act declared on 24 August, which, however, only registered the course of orientation by Ukrainian society, and it was done with precision, credit for which should be given to the previous Supreme Council.

The acceleration of movement in the direction of that social orientation depended on many factors, including the August 1991 events in Moscow. Now that the essence of those events is becoming increasingly more obvious as a ploy well-thought-out by its participants, it is time for everybody in Ukraine and outside it to end speculation surrounding such definitions as coup d'etat, putsch, etc. It is time to do so because, under the disguise of the preceding arguments, political accounts now and then continue to be squared here, and citizens' rights, organizations, and newspapers continue to be infringed upon. This victimization [prishibeyevshchina] has nothing in common with the necessity to bring up Ukrainian citizens in the spirit of patriotism. It adds nothing to our state's independence, for independence, I repeat, is objective. It was bestowed upon us by the people in the December referendum. It is superior to political dealings concerning the so-called coup and to considerations by those who, being clever by hindsight, continue to move around in their imagination as power players of that time, searching for individuals as the reason for the collapse of the Soviet Union.

The matter, though, is not an analysis of causes, that being a concern for historians. The matter is that Ukraine has begun its establishment and must become a state—i.e. a system able to be self-supporting and self-regenerating in every aspect, such as the integrity of its territory, reproduction of its population, restoration of its economy, the survival and evolution of its national culture, the firmness and stability of its social, territorial, class, ethnic, political, religious, professional and family structures, etc.

The experience of the three years has shown that this is not done easily but at the same time it has demonstrated that the activity by the state as a system and the actions by officials at every level, being comprehensive and many-sided, have to be subordinate to the sublime goal of the preservation and development of sovereignty in the name of a better life for the people.

Among the many important issues that await settlement, that of the unity of society and the coordination of actions by every branch of power ought to rank first. But have its representatives any goodwill to do so? It can be said that they have. Supreme and local authorities were formed, the president was elected, and the formation of the Cabinet of Ministers is being completed within the single stretch of time and by the electors' single aspirations. The joint statement by the president, Supreme Council chairman, and prime minister is not a populist gesture but a confirmation of our understanding of the problem of unity at the time that is so difficult for the state and the people.

That is why attempts by certain political circles at all costs to drive a wedge between the top echelons of power, cause surprise. It is striking how zealous some absolutely independent newspapers are in fulfilling a social contract with, let us say, somebody, and pouncing on any documents approved by either legislative or executive power in search of any flaw that will stir up confrontation.

I have urged Ukraine's citizens, time and again, to eliminate the slave within themselves, and certain political activists and members of the fourth estate should rather rid themselves of philistine habits, for these can cost the society dearly. As for the alleged rift between top state officials, I would like to express our shared opinion and quote an old Odessa Jew who, when asked by his communal house neighbors how he was getting on, replied: You won't live to see! [applause]

Recently, the media have been pondering a great deal over the possible ways of reforming Ukraine's state system—as a parliamentary-presidential or a presidential-parliamentary republic. One must admit, it is a rather scholastic debate, in which using one's own *tabula rasa* [preceding expression in Latin] experience is hardly worthwhile. It is not worthwhile, because the presidential republic of France, for one, has a different system of regional government, while in Germany or Austria, where it is similar to ours, the key link in the executive power structure is the government, which, again, differs from our situation. However, it is not a question of the right form of state administration, but of its efficiency. I am convinced that, with all the complexity of a power mechanism that needed for Ukraine, the president and the Supreme Council will find the best option. This is to be the option for our state, with a strong executive pole, solid positions of councils at all levels and interaction between them, and mainly, the triumph of law. We will think of a name for this option later.

There is also no need to label the recent presidential decrees as the August revolution, because they indeed follow from our common concept of strengthening executive power. Of course, the unity of society depends not only upon agreement at the top level of power. We need to avoid the smallest manifestations of regional, ethnic, and religious confrontation, to avoid distortions of our

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historical past. Not everything is so simple. Our heritage is too complex. But it is possible to say with all certainty that we have no objective preconditions for interethnic, religious, or regional discord, much less, conflict. Ukraine commands the best possible unity within its historical and ethnic borders. With the universal consent of the people, we are out to build a free, just, and socially oriented society that should have no room for discrimination—either regional or ethnic. Our legislation conforms to international legal standards and principles safeguarding individual rights and freedoms irrespective of a person's ethnic and regional status or place of residence. Wherever Ukraine's citizens may be, if they genuinely and sincerely love their land and if they wish themselves and their children well, they must respect one of the main ingredients of state sovereignty: the territorial supremacy of the state, which means the supremacy of its power in relation to all people and organizations located on the state's territory.

However, the state's territorial supremacy does not rule out certain legislative exceptions with regard to certain categories of people or territories, and does not imply rigid centralization of power. On the contrary, the state's territorial integrity is solidified through the economic and social independence of the regions. This reflects the interests of both the central and local authorities. This circumstance will already be taken into account this autumn, as we prepare laws concerning local authorities, the budget, and taxes. The center will respect the relative independence of the regions, but will resolutely oppose any manifestations of separatism.

In this connection, I think it is necessary to single out the so-called Crimean issue. I believe that the Supreme Council of Crimea and the executive authorities led by the autonomy's president will have the wisdom to discriminate between genuinely exclusive interests of the peninsula, and vulgar separatism or political adventurism. Without dwelling on the issues of the Black Sea Fleet, the repatriation of deported peoples, the special status of the glorious city of Sevastopol, the energy, water, financial and economic dependence of the region, or the numerous related problems exclusive to this blessed land, we must admit that they have been rather superficially analyzed by the central state authorities. This is true. But it is also true that both the abovementioned and the unmentioned problems are aptly exploited both within Ukraine and outside for purposes that are totally opposite to the interests of our state and which are not conducive at all to the interests of the greater majority of Crimeans.

It is also true that one of the biggest threats to our society is becoming increasingly evident in Crimea: the influence of the crime world on the course of events and the transformation of the public into hostages to mafia clans and groups. We must speak openly about it, although there is no time for mere talk.

In meeting legislative demands and those posed by one of the first presidential directives, that on fighting organized crime, our actions should be resolute.

As for the problem of unity in society and the Crimean issue, it should be acknowledged—without mentioning the worldwide producers of the performance that was staged on the territory of the states that were formerly part of the USSR—that it was not the peninsula alone where it emerged. It was brought to the surface also owing to the efforts of the home-grown hurray-patriots, mentors, in quotation marks, of love for Ukraine and unyielding interpreters of its complex history. The sooner we realize that this is a moral consequence of implementing the idea of statehood in a primitive and village-like manner, the sooner will it be possible to compensate for the losses incurred. If, on the other hand, this continues not to be understood, it is possible that it is not only moral losses that society will suffer. This, as you realize, cannot be allowed. Nor will this be allowed.

Let us now deal with the Crimean issue, since it affects sentiments in society most perceptibly and in the most concentrated manner. Such issues are to a varying degree characteristic of many of Ukraine's regions, which once again attests to the importance of adherence by every branch of state power and by all political, professional, and public structures to the principle of the territorial supremacy of the state.

The unity of society depends to a considerable extent on the place and role of the intelligentsia and the development of national culture and spiritual life of the people, which at present, as never before, should be a factor of consolidation. It would appear that we have made a sufficient effort for the appropriate legislative foundation to be laid for the development of education, science, and culture and for the implementation of the principles of freedom of speech, conscience, and the right of the citizens to information. It is no accident, incidentally, that the state of science and scientific and technological progress was one of the first questions to have been addressed by this Supreme Council. The process of reviving Ukrainian national culture and the language, spiritually and culturally developing every ethnic group populating Ukraine, and lifting groundless restrictions in the religious and ecclesiastical sphere started, thus creating objective conditions for accord in society and averting the emergence of conflicts.

One cannot but see, however, that these processes are also in conflict with each other, as the situation in this sphere is complex. Ukrainian cinematography is on the brink of extinction. Publishing is on the decline. Millions of citizens are unable to exercise their constitutional right of access to some of the best attainments of national and world culture and objective information. It is not infrequent that greyness, mediocrity, and vociferous politicized lack of talent reign in the kingdom of culture.

It is not the economic crisis alone that caused this situation. It was also caused by the loss by the state on a

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number of occasions of its influence on the area that forms social sentiments and tendencies.

The fact is that very much in this respect is dependent on subjective factors. The use of this delicate sphere in the life of society by certain circles for narrowly political ends can no longer be tolerated. This, regrettably, has been happening and we remember this well. So what has all this led to? Not only to subjectivity and considerable distortions on issues of the attitude toward our historical past and problems of the language, national culture, and religion, but also to certain tension in society, revealing signs of regional opposition.

We set great store by our scientists, writers, artists, actors, teachers, and doctors as the bearers of the spiritual potential of the people and as those expressing their hopes and aspirations and their very soul. By having in our genes the intellectual wealth of such geniuses as Shevchenko, Franko, Lesya Ukrayinka, Hrushevskyy, and Vernadskyy, we always saw in their position and their literary heritage supreme judgement and supreme justice. Today, we understand with all the acuteness of vividly and painfully perceiving the contemporary times that it is not only outstanding minds and talents that are behind all this but also supreme human conscience and superhuman responsibility. If they are not there, there will be nothing but the smoke of human vanity and mercantile mentality.

So, in highly respecting in our souls our intelligentsia, we hope that it will perform its historical mission and will express the ideal of justice that is nurtured by the whole of the people, rather than by their separate sections or separate political groups sometimes given to the passions of their own; and that it will do its best to achieve national reconciliation and will become a factor of unification to our contemporaries in their search for the right way for our Ukraine to stabilize and flourish.

It should finally be understood that careless actions in the spiritual sphere are fraught with serious complications in society's mutual relations. If we want society to live in accord, nobody must exert rough pressure on social conscience or assume the role of a prophet in his own land or of one possessing the only and unerring knowledge of history and culture and imposing solely their own vision of these problems, which approach ignored important constituent parts of national and world culture, spiritual values, and the feelings of millions of people. It hurt and is hurting their sense of worthiness.

This has had a particularly painful effect on our veterans. We must do everything in our power to mark the 50th anniversary of Ukraine's liberation from the fascist invaders and the 50th anniversary of the victory in the Great Patriotic War. [applause] We have agreed with our colleagues in Russia and Belarus to mark this date together because this was our common great victory. The celebration of such dates should help people, especially the young, to develop feelings of patriotism and love for

their native land. The entire potential of our culture must be used to return to the younger generation the ideals of justice, high moral standards, and respect for the history of one's state and labor, as age old values of the Ukrainian people.

Naturally, the most urgent problem, without which one cannot speak of building a nation, is the present state and the future of economic development. We have seen for ourselves that attempts to rush political solutions while neglecting the economy, weakened and deprived of internal drive, cannot be productive. The subordination of economy to political intrigue, the constant switches from one economic program to another, the over-rating of macroeconomic factors, the inefficient state regulation of economic processes, and the loss of motivation for efficient labor with the fall of its prestige have sharply deepened the crisis. It has embraced all spheres of national economy and acquired a systematic nature.

The economic situation has become practically ungovernable. A sharp crisis has engulfed the financial and monetary system as well, paralyzing external and internal payments. Ukraine is being drawn deeper and deeper into debt. Hyperinflation has dragged people's living standards below the critical line. This should be realized and spoken openly about. At the end of last year and the beginning of this one, the Supreme Council and the government took a number of urgent decisions aimed at alleviation of crisis symptoms and a gradual transition to economic stabilization. The increase of state influence on the price policy and certain restrictions on monetary and credit emission are intended to curb hyperinflation, at least so far, and restrain the rise in prices and tariffs in the sphere of manufacturing and on the consumer market.

One must admit, however, that even now, despite certain improvements in the past few months, the economic situation remains critical. National income in January-July this year was down 22 percent on the same period last year. You understand what sort of indicators we are comparing. Investment activities are declining at a threatening pace. Only four production facilities were commissioned in the first half of this year, less than 1 percent of the annual requirement. The construction of housing, schools, clinics, children facilities, clubs, and cultural centers was down 33-68 percent on the same period last year.

A deplorable situation has developed in the agro-industrial complex. The well-known problems that are already slowing down agricultural production today have now been joined by another one—the drought. Consequently, a number of steppe and forest-steppe areas, including Odessa, Nikolayev, Kirovograd, Kherson, Vinnytsa, Poltava, and Volyn Oblasts, will be left short of a considerable part of the gross grain yield. In Ukraine on the whole, it is expected to be more than 10 million tonnes less than last year.

Even under these conditions, there is a possibility of getting over 37 metric tonnes of grain and using at least

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10 metric tonnes to form the state food reserve, which conforms to the state contract target and our internal requirements. Over 8.5 metric tonnes of grain was procured by 22 August. It is an important fact. We had worse years, even recently, and there was no famine. Now there is even a greater opportunity to do without importing grain from abroad and provide people with food. This is owed to the selfless labor and genuine, not theatrical, patriotism of country workers, to whom we extend our deepest appreciation today. [applause] I would like to recall that the Supreme Council adopted a resolution on measures to overcome the crisis in the agro-industrial complex and is now supervising its implementation. I am firmly convinced that if we extend support to agricultural producers at the state level, by actions rather than rhetoric, ensure the social and economic development of the countryside, we will soon solve not only our internal food problem, but lay the basis for Ukraine's transformation into a stable exporter of farm produce. Of course, it will take some time to reverse the decline in output completely. The negative trends must be overcome as soon as possible. The efforts of the president, the Supreme Council and the Cabinet of Ministers are currently aimed at this most important goal.

Taking into account the nature of the audience at this ceremonial assembly, I will say a few words about the capital and its oblast. The socioeconomic trends here are similar to those across the whole of Ukraine, but we can see some promising developments. Despite the difficulties, local authorities in Kiev are seeking and finding opportunities for not only solving urgent everyday problems, but for the development of the city as well. For example, they managed to preserve the construction sector, which allowed to maintain a higher rate of construction in Kiev than in Ukraine on the whole. Active measures are taken to solve the transport problem, and a campaign has been launched in support of the Kiev producer. The local authorities are taking steps to ensure social protection for the population, extending individual aid to its least protected strata. Of course, Kiev as the capital of a sovereign state needs special attention. It is necessary therefore to speed up the work on the law on Ukraine's capital. As soon as it is passed, it will enable Kiev to resolve all local issues independently and more effectively.

At the same time, we would like to hope that the different power branches in the city will work more closely together while solving the capital's social and economic problems. We all wish esteemed Kievites fruitful and coordinated work. Workers in Kiev oblast deserve words of praise as well. Despite the unfavorable weather conditions and the practical loss of state support, most farms succeeded in cultivating and gathering a reasonable harvest.

On the whole, the oblast has gathered over 35 quintals of grain per hectare, well exceeding Ukraine's average yield. The gross yield here will be over 1.6 m tonnes.

There is every opportunity to fulfill the state procurement contract and meet the oblast's own needs. I would ask you, esteemed delegates to the assembly, to pass on our words of thanks and respect to all workers of the capital region for their endurance, understanding of the situation and responsible attitude to their duties. [Applause]

Undoubtedly, even this sketchy analysis of the state of economy poses a question which concerns every citizen of Ukraine: what next? What are the authorities' intentions? Having elaborated and approved the main principles and guidelines of Ukraine's economic development during the crisis period, the new Supreme Council of Ukraine has finally provided the answer to the question "What are we building?"

The strategic goal of social and economic transformations in every sphere of life is that of taking Ukraine on the road of building a society with a mixed, socially-oriented economy, with genuine subordination of the state to the interests of the working people. It is envisaged that social and economic transformations will be gradual. In the beginning of the second session, the Supreme Council is to pass a package of laws which will allow to unblock production, overcome the payment crisis and create conditions for producers to restore the normal pace of work.

This implies, above all, radical changes in the tax legislation, reforms in the financial, monetary and credit systems, and sorting out the payment balance with foreign countries, first of all, Russia and Turkmenistan. Finally, we are talking about the formation of a currency reserve to implement the monetary reform. The government and Supreme Council commissions are working in this area, preparing a clear program which the president will present to the Supreme Council. By the end of 1995, we must ensure a gradual transition from chaotic economic relations towards regulated market ones, stop the decline in output and initiate its rise, and implement an effective employment program.

Priority here will be given to the agro-industrial complex and power engineering. We are already carrying out the tasks of the first stage. Thus, the Cabinet of Ministers, in accordance with the powers vested in it by the Supreme Council, adopted a number of resolutions aimed at alleviating the tax burden on producers in order to encourage reduction of the cost price of products and services and, therefore, of retail prices.

The construction of production-purpose and non-production-purpose facilities, including housing, social and consumer services enterprises, and those producing raw and other materials for treatment and medical products and so on, has been exempted from value-added tax. In order to improve the investment climate in our state, the National Bank of Ukraine lowered its credit interest rate to the maximum of 140 per cent. The commercial banks have also been assigned the limits accordingly. A draft legislative act on compensating Ukrainian citizens for

their losses from the devaluation of their savings at the former (?UkrDerzhStrakh's) [Ukrainian State Insurance] savings banks and a number of other draft laws concerning the social security of the population are being made ready. I would firmly like to state that the president, the Supreme Council, and the government will not go back on what was pledged. The state will have to find a method to return to the people what, to put it mildly, it has taken in the course of the last few years.

We realize that the people can no longer tolerate the striking discrepancy between prices, on the one hand, and the level of pay, pensions, grants, and other payments to the population, on the other.

Our steps in the social sphere are aimed at creating such conditions whereby everybody who is able-bodied could by their work ensure worthy living standards for themselves and their families, with the state taking care of pensioners, invalids, families with many children, and the other most vulnerable categories of the population.

A mechanism of long-term concessions and loans to the population for the construction of individual housing and loans for work to be done in practice should probably be worked out. My meetings in the Kharkov region, Chernovtsy, Lvov, and other places convince me that this is the way for many social problems to be resolved, the demographic situation to improve and families to be supported and strengthened.

At the second stage of the above steps, by the end of 1997 it is expected that the socio-economic situation will stabilize, which will improve—considerably improve—the population's living standards.

The task at the third stage is to complete restructuring, to form an effective and competitive national market economy, to develop and introduce some of the most up-to-date technologies, and to move Ukrainian citizens' living standards closer to those in the economically-developed countries.

What I named are strategic reference points only. In a nutshell, our socio-economic policy is this: We do favor a transition to a market economy, except that reforms should be carried out to raise the people's well-being, rather than in the name of reforms. The main principle has to be the state for the people, rather than the people for the state. Besides, it is obvious that it is only when they are understood and supported by the people that reforms will go ahead.

We do favor the stabilization of the economy in the shortest term and the intensification of the state's regulatory function, rather than life according to the principle of random selection. We do favor privatization, but it should be in the interests of the majority of the people and the state. We oppose pilfering openly the wealth belonging to the people and accumulated by generations. That is why we want to sort out the practice of privatization and clarify who privatizes what and at what price.

Our people have to know this, for it is not difficult to guess who will use the property of the state at a time when production and other funds are devalued, when most people cannot make both ends meet, and when we have no currency unit of our own. So whose currency is it that we are going (?to strengthen) with our property?

I hope that the people well understand who needs the uproar surrounding the Supreme Council resolution on privatization.

Equally well can a hullabaloo be heard about currency regulation, although it transpires that the attitude of the president, the Cabinet of Ministers, the Supreme Council, and National Bank towards the issue of an exchange rate subject to regulation and towards the protection of the interests of exporters and producers, rather than (?large modern concerns), is, in principle, identical.

We favor stronger social and legal protection of Ukrainian citizens and harsh punishment for those who got rich unlawfully, criminals of all descriptions and all levels, and all those who violate law and order.

Above all, the state should have laws protecting the individual and the people and preventing them from being robbed.

The issue being raised thus, however, is not to everybody's liking, because it limits possibilities for unlawfully enriching oneself and laundering stolen money.

I am convinced that these policies will be backed by the majority of the people, will consolidate society's sound forces in this conscientious work, and will restore the citizens' trust in the state.

Another topical problem at the present stage of nation-building is stepping up Ukraine's foreign policy. We note that in the context of interstate relations Ukraine, surprising as it may seem, is known worldwide rather as a state that for some reason is reputedly unwilling to rid itself of nuclear weapons, and is doubtful about the need to accede to the treaty on non-proliferation. It appears that the image formed of Ukraine as almost a contemporary aggressor is a convenient advantage for representatives of the world community in their contacts with Ukraine, forgetting that we are a co-founder of the United Nations—whose 50th anniversary will be marked next year—whose initiative, incidentally, was officially recorded here, in Crimea, at the Yalta conference, and which could be a site for an appropriate international event to celebrate the anniversary of the historic conference itself, and the foundation of the United Nations Organization. This was said in brackets, as it were.

The international community, for the sake of whose calm development Ukraine undertook a step unprecedented in the history of civilization by foregoing its armed force, sometimes forgets that this step of ours is very costly and that we need compensation for our

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losses, rather than abstract help. We need assistance in establishing economic relations possessing equal rights, and reciprocal moves by other countries so as to reduce the risk level in terms of armed conflicts.

As president of the Parliamentary Assembly of the Black Sea Basin Countries, I believe that it would expedient for Ukraine to come up with an initiative to transform the Black Sea into a zone of peace, where no state would have any military forces of an offensive, aggressive nature, which primarily applies to navies. At issue is that efforts by the states should concentrate on protecting the unstable ecological balance of the Black Sea, the loss of which can be a catastrophe for a considerable part of civilization.

Of course, strengthening Ukraine's international position will not happen by itself through charitable activity by our close or more distant neighbors. We ourselves have to pursue active policies with the use of the arsenal of many international political, economic, humanitarian, and ecological institutions. It is necessary to learn, in particular, to take that in respect of which there is the political consensus of other states. The interest that many states traditionally have or will have in Ukraine in future, should be made use of, and the fact that the international aspect of nation-building tolerates no slowness, imprudence, or political opportunism, should be understood.

This particularly applies to neighborly relations with Russia, Belarus, Moldova, other CIS countries, and Central and Eastern European states. Russia and Belarus cannot just be Ukraine's northern neighbors. History itself ruled that we have thousands of visible and invisible links which cannot be severed by artificial barriers and political and ideological dogmas.

The experience of the three years of the CIS countries' sovereign development very well demonstrates that independence and sovereignty cannot and must not obstruct the evolvement of comprehensive economic, humanitarian, and political relations. Today, we approached the threshold where total normalization of relations between our states has become an obvious necessity.

We, in particular, resolutely oppose confrontation with Russia over the Black Sea Fleet, which is constantly stirred up by both countries' national chauvinist politicians.

It is precisely these approaches that are being used to draw up a full-scale treaty between Russia and Ukraine, which is to be signed in the very near future. This, of course, does not mean a decrease in our activity in participation in the systems of all-European and global security. Nor does it mean our refusal to join the European community. I would only like to add that we have to operate an international policy based on the principle of equal partnership, relying above all on our own forces, rather than on someone else's charity and

assistance. This is the way things are in the world, which in the three years of our independence demonstrated and taught us this.

We have to change the perception of foreign policy as an area of diplomacy alone. To Ukraine, foreign policy is a fight for national security, economic survival, and conditions to enable Ukraine's capital, working for the benefit of our state, to access foreign markets. This is a fight for markets to sell our products and for Ukrainian and joint-venture banks, joint financial and industrial groups and transnational corporations to be set up abroad and, in particular, to be attracted to the processes of lawful privatization here in Ukraine and outside it. This is participation in the borrowing market and familiarization with the tricks of the trade that representatives of an independent state have to have a command of.

It is an extraordinarily important task for a young state at the time of its establishment to guarantee its own national security. The problems with this are exceptionally numerous. They relate both to ensuring the appropriate level of Ukraine's economic development, demographic situation, and ecology, on the one hand, and protecting the rights and the very life of an individual, building the armed forces and providing the maximum possible effectiveness for military production under conditions of converting the defense industry given the limited financial and material resources, on the other.

No matter how difficult it may be for us, we shall build our armed forces according to the principle of reasonable sufficiency and ensure dependable social protection for servicemen and their families and social adaptation for those discharged from army service.

In conclusion, I would like to mention what at present is one of the most important problems in nation building, that is, drawing up and approving Ukraine's new constitution. It is time for the phenomenon of differences between laws and the constitution to be ended as soon as possible. Otherwise, we shall undermine the very idea of law and sow the seeds of legal nihilism and mistrust in the very constitution. That is why, work on its draft is a priority in the complex of the questions to be addressed by this Supreme Council.

My view on the course of further work on a new constitution is this: After its draft is worked on by the constitutional commission, it is to be considered by the Supreme Council and approved in principle. The provisions of principle in it that are not agreed upon, if any, are to be put to a Ukrainian-wide referendum. After the referendum, the full text of the fundamental law is to be drawn up. In accordance with the constitution in force, it can be approved by the Ukrainian Supreme Council itself.

In view of the need to protect the fundamental law from excessive interference by legislative and executive power, there may be other legitimate forms of approving

the constitution. I think that we shall offer forms of this protection to our state's citizens.

Esteemed friends: I am convinced that we shall build a strong and independent state. We, however, shall have to do this ourselves without relying on someone else's charity. This is only possible if there is peace, concord, mutual understanding, and the desire by all social groups, people holding various political views, and all regions in Ukraine to work jointly for the sake of strengthening our Ukrainian state as a land of accord and good, which is one for all.

I once again wholeheartedly congratulate you, all Ukrainian people, on the national independence day. Ukraine is and Ukraine will be!

Prime Minister Interviewed on Economic Issues

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[Interview with Prime Minister Vitaliy Masol by VECHIRNIY KYIV Chief Editor Vitaliy Karpenko: "We Do Not Have a Proper Market Today, We Have a Flea Market"]

[Text] [Karpenko] As everyone knows, your resignation in 1990 was forced by political pressure and demands by students staging a hunger strike...

[Masol] The students were a kind of leverage that someone wanted to take advantage of...

[Karpenko] Coming back to the present, do you not feel some discomfort about this?

[Masol] No, I do not. Why should I? I knew what I had ahead of me. Of course, there was a lot of talk about whether it was worth electing a prime minister nine days before the presidential elections. The point is that at that time there was a threat of an inflation jump caused by the increase in bread prices. This year, due to weather conditions, the state will not have as rich a harvest as usual. This is why, pressured from all sides, I decided that we should not increase prices for bread now. I want to warn those who believe that bread prices should be freed that we could fuel a spiral of inflation running into many zeros. I have no idea how high this inflation may go.

[Karpenko] The harvest is indeed one of the worst for the past few years. Will we have bread? Will you keep prices at the present level?

[Masol] Let me answer by saying that prices will remain the same if nobody demands free trade in currency, which we have in very short supply. I am talking about currency regulation. There are two points of view on this issue. The first one advocates a free exchange rate for the karbovanets, and the other calls for a fixed rate. I support the second option.

With hard work, we will have enough bread. There might be less wheat, but we will harvest more barley which could be exchanged for something. I believe that the grain that the countryside will harvest should suffice. We need 10 million tonnes for food, and we will have it. The most important thing is to keep bread prices from growing.

[Karpenko] Now, as for currency regulation and the fixed exchange rate of the karbovanets against foreign currencies: You know that the fixed rate is too low and does not correspond to the market price. This provides a perfect opportunity for insiders to speculate on this difference in rates...

[Masol] I cannot agree with this perception. The point is that our financial system is completely destroyed, and it would be strange to talk about world prices today. Do we have world prices for bread, municipal services, or water? Do our ecological expenditures correspond with world prices? The currency regulation is necessary for keeping prices at the same level...

[Karpenko] But our wages do not comply with the global standards, either.

[Masol] I agree with you. So, if you introduce a market rate, our wages will fail to comply with those standards even more. My position is that prices need to be kept down through increased sales, and we are all set up to achieve this. But there must be a fixed exchange rate of the karbovanets to the U.S. dollar. As a matter of fact, we have no currency which we could sell. Let everyone understand this. We are currently selling about \$1 million per day. We already have a great deal of the so-called commercial structures that can pay any price for a dollar, whether it is 45,000 or 60,000 karbovantsi [K]. If we remove the fixed rate today, we will have hyperinflation tomorrow. Prices will grow, forcing us to increase wages... We already went through this last December, when wages tripled and prices increased 7-10 fold.

[Karpenko] Of course, the economy is a lot worse now, when you have taken it over, than it was when you resigned. Still, do you see any positive prospects, and, if so, when do you think Ukraine can be dragged out of this abyss? Or, when could the economic decline be at least slowed?

[Masol] The Supreme Council, the National Bank, and the government should jointly work on this. Unfortunately, we have no contacts between us so far. If production were to stop today and we did not give credits to enterprises, I would not understand this kind of approach. I spoke yesterday with the chairman of the State Committee for Light Industry. He asked for K500 billion in preferential credits. He said he would buy cotton with the money, and then pay K750 billion to the state budget in taxes. What decision do you think I made? I decided to give him K500 billion in credits. If you do not give him a credit, this will leave tens of thousands of people without work. So, tell me what is

better, to grant a credit or leave people without work and the budget without money? This is my position. This is a position favoring extending credits, which, however, should be funneled to a specific priority industry. If we refuse to extend credits, as some believe, we will continue to have an economic slowdown.

[Karpenko] In other words, do you think that the state should support enterprises that are going bankrupt?

[Masol] No, the state should support enterprises that can work, but are short of raw materials. Thanks to credits, those enterprises will produce.

[Karpenko] The press reported a statement by the president calling for the presidential powers to be strengthened and the parliamentary-presidential republic to be transformed into a presidential-parliamentary one. If this were actually the case, do you not think that the post of prime minister will be of second-rate importance, and the prime minister himself will just be an executor in the background?

[Masol] Let me tell you this. There is a lot of talk about the division of power. But if the leaders of state, the three highest officials, fail to work together to improve life, squabbling instead about more power, things will not change for the better.

[Karpenko] Judging by the latest edicts, however, the president is intending to assume the main responsibilities of the Cabinet of Minister...

[Masol] The president's team includes very young officials, and they sometimes prepare documents too hastily without explaining one issue or another. If the president decided to appoint all of the leaders, and not only the highest officials, well, he would have more work and waste more time signing resolutions on new appointments. This is his and his administration's business.

[Karpenko] Are your views and the president's views on the economy more or less the same?

[Masol] They are about the same. However, the president is pressured today by certain structures—regarding the currency regulation, for example. But I will defend my position. Nobody, for example, can now resolve the question of the circulation of bills of exchange. Suppose we introduce bills of exchange, so what? Will they work or not? Neither the National Bank, nor the Finance Ministry, nor the Ministry of Economy can answer this question at this point. One should not be hasty. Haste makes waste. This is my attitude. I said at the Supreme Council that if we usher in free currency trade today, tomorrow we will have the kind of inflation that cannot be curbed. Whatever people say, food prices were not increased in July, and this situation, in my opinion, could be maintained for the next three or four months. People can now buy even butter in the stores.

Yes, we are planning state subsidies for coal and bread, as this determines whether or not we will have inflation.

Remember, prices in our country started to go up when the Fokin government canceled coal subsidies. They were brought back again, though. Yes, we increased coal prices a little, but we resolved thereby the issue of larger funds for the Ministry of Ferrous Metallurgy.

[Karpenko] Yet, experts predict a new spiral of inflation. Moreover, I know that some government structures are putting together relevant documents. For example, the Ministry of Communications has already prepared plans to set higher prices for communication services next year. I would like you to confirm that such a scheduled increase is due next year. If so, when will it occur? How large will it be?

[Masol] I will tell you what I know. A resolution is currently being prepared removing value-added tax on imports of paper into Ukraine for printing textbooks for schools and higher educational institutions. I can say that the tax will be lowered, and I will sign this in two or three days. I cannot say that I am also ready to cancel the tax for newspapers. This issue, however, is being studied.

[Karpenko] Ukraine could end up without its own national press. You will have URYADOVYY KURYER, the Supreme Council HOLOS UKRAYINY—both financed from the state budget. And what about the rest of the press? Do we not need a national press?

[Masol] I cannot tell you positively whether or not I will resolve this issue. But my attitude is that the press should be helped. How much is a different question.

[Karpenko] There is an opinion that at a time of economic slowdown, it makes no sense to introduce a new monetary unit. There is also another opinion: It is impossible to stop economic decline without introducing the hryvnya. What do you think? When will the national monetary currency finally be introduced? Has a mechanism for this been devised? Will the operation be implemented at the expense of the population?

[Masol] We should prepare for introducing our own national currency—there should be no doubt about that. Time is needed. We have to lay the groundwork for later boosting production and decreasing its costs. Our economy has industries where interest rates for credits account for 80 percent of the production costs. One also needs to reorganize the taxation system. We are planning to impose a tax on profits, and not on income, as it is now. An entire team has been set up to work on relevant drafts. After we have devised this mechanism, we can think about launching the national currency. Money in our country is not working, yet this is the fundamental point of market conditions.

Only after the issue of stabilizing prices, without steep jumps, is resolved, will our national currency enjoy respect. Only after this can we introduce this currency. One cannot do this at the stroke of a pen. The issue has to be prepared in great detail.

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[Karpenko] This issue has been debated for four years now—enough time to create the stabilization fund and the commodity reserves, and to craft the requisite documents...

[Masol] As you might remember, as early as 1990, I said that the introduction of the national currency would take three or four years. They called me a conservative then, but for the next four years no one dealt with this issue. I want to emphasize that I will not hurry. We should make all the calculations and projections as to the consequences, indexation of the population's deposits being among them. No matter how much I would like it, I cannot definitely resolve this issue today.

[Karpenko] An opinion is widely held that those issues must be urgently resolved. Proposals are being made to achieve this through privatizing national property, real estate, and land. Sometimes they say that mobsters could take advantage of this. Those people, however, do not keep their money in banks. Banks only have the money of the common people. Is the state in a position to issue bills of exchange or other securities covering the national property, and give them to those people to compensate for inflation?

[Masol] Losses inflicted by inflation cannot be entirely compensated. There are different kinds of compensation—through indexing deposits at the saving banks and setting dates when people can withdraw them. Specialists are now working on this issue.

[Karpenko] You said you are a conservative...

[Masol] It is a complex word, and I want to note that those who say we are not conducting reforms are mistaken. We certainly are conducting reforms. We even have private property, rich people, the banking system, and our own currency. The process of privatization is under way, but it has been suspended once again. In my opinion, there can be no turning back to the old system today. My position is that we should press forward faster. For this, however, we need to pass laws, statutes, and instructions. When all those laws are worked out based on market relations, our movement down the path of reforms will become a lot faster, our people's work harder, and competition stronger.

[Karpenko] In your political preferences, do you cling more to the "left" or the "right?"

[Masol] I cling more to the people who really want to build an independent, law-governed, and democratic Ukraine.

The most important issue is that laws must work. When the Supreme Council tasks the government with handling the "Blasko" case, I do not agree with this. We have law-enforcement agencies, so let them perform their duties and handle it.

[Karpenko] As the man at the head of the executive power and with a vast background of governing the state

in the past, do you believe, or are you convinced, that the government is capable of lifting Ukraine out of its crisis and of improving people's lives? If so, when do you think people will really feel that their standards of living are improving?

[Masol] In the first place, I would not accept my position if I did not believe in this. Frankly, the state is critically short of funds, and I am very sorry to receive a large number of letters requesting financial aid. We cannot provide it. This is why we must address the priorities—first of all, for 1995—determine what will be financed, and also tell certain people that their case will be put off for a year or two. We have already determined our priorities. They concern agriculture and the pharmaceutical industry. There are 15 million pensioners in our country, and they all need medicine. Next, there is the issue of energy sources and the production of certain consumer products. Some issues, however, will be put off. Today, for example, we are not capable of sustaining the automobile industry—we have no funds for it. The same goes for other things.

Let me emphasize, however, that even though certain structures continue to pressure for the free market to be established overnight, we will not have it, anyway. We have no free market today, we have a flea market. If we really want market relations, we should adopt balanced decisions.

If not supported by a real basis, even the best resolution will remain a piece of paper. And the Supreme Council cannot resolve important issues, which call for serious examination, in five minutes. The Supreme Council would not even listen to the economics minister who wanted to present the government's position.

[Karpenko] Which is to say that the standoff between the executive and legislative powers is continuing.

[Masol] There is no standoff, only the Supreme Council makes hasty decisions. Take, for example, the decision on agriculture. The Supreme Council should not let farms take credits and delay repaying them. It was decided that farms would not be fined for such a delay. Market laws will not work in such conditions. Punitive measures exist all around the world. Some time ago, I even proposed that the sanctions should be substantial.

[Karpenko] You are right, lack of punishment results in a lack of responsibility. You are now putting together the government. In the past, no high-ranking official was held accountable for consequences of his work. Do you think that any official should be completely accountable to the state and the people?

[Masol] Only when an official bears full responsibility for his deeds.

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Kuchma Believes Order Should First Be Established in Kiev*LD2208170694 Moscow ITAR-TASS in English
1406 GMT 22 Aug 94*

[By UKRINFORM correspondent Aleksey Petrunya—TASS]

[Text] Kiev August 22 TASS—Order in Ukraine should be established beginning from the Ukrainian capital—this idea prevailed during Kuchma's working tour around the Ukrainian capital on Monday. The Ukrainian president was interested what was being done in the capital for city residents and asked questions about housing construction and the construction of social and cultural facilities in the capital.

During the visit to a hospital in the Moscow region of the city he familiarised himself with a maternity and gynecological department built in accordance with a private project. For the first time in Ukraine's practice the department will operate using a unique autonomous system provided with a computer programme for monitoring and taking care of premature babies. A center for reproductive therapy is expected to be created as well.

Kuchma also visited a construction site of a new line of the Kiev metro "Kharkovskaya" scheduled to be put into operation at the end of this year. Kuchma asked questions about difficulties faced during the construction of the station.

Later in the day the Ukrainian president visited an interior department of the Darnistk region and asked questions about the implementation of the president's decree on combating crime. Kuchma visited several city schools preparing for a new school year and visited other social and cultural facilities of the Ukrainian capital.

Presidential Edict on Improving Currency Regulation*LD2308164794 Kiev UNIAK in Ukrainian
1415 GMT 23 Aug 94*

[Edict by Ukraine President Leonid Kuchma on improving currency regulation; issued 22 August in Kiev]

[Text] [no dateline as received] Proceeding from the necessity of creating favorable conditions for the development of foreign economic links, stimulating exports, increasing revenue in freely convertible currency to Ukraine, reducing the volumes of non-critical imports, developing the domestic currency market, and with the aim of establishing a single currency exchange rate for the Ukrainian karbovanets in relation to foreign currencies in accordance with the results of trading on Ukraine's interbank currency market, I hereby resolve:

1. Ukraine's National Bank and Ukraine's Cabinet of Ministers are:

—to ensure the gradual convergence and unification of the official and market currency exchange rates of the Ukrainian karbovanets in relation to foreign currencies in the second half of 1994;

—to determine and approve within 10 days the procedure and conditions for convergence of the official and market currency exchange rates of the Ukrainian karbovanets in relation to foreign currencies and a mechanism for establishing the boundary coefficients for the divergence of the official currency exchange rate from the market rate.

2. To establish that until a single exchange rate for the Ukrainian karbovanets in relation to foreign currencies is introduced, the procedure for applying the official exchange rate is determined by the National Bank in coordination with the Cabinet of Ministers. The official exchange rate for the karbovanets in relation to foreign currencies is determined within the limits established by boundary coefficients for its divergence from the market exchange rate. It is determined by the National Bank of Ukraine in coordination with the Cabinet of Ministers of Ukraine, taking into account the internal rate of inflation, the amounts of currency emission and Ukraine's payment and trade balances.

3. The National Bank with the participation of the Cabinet of Ministers is to elaborate and implement measures to increase the official currency reserves to support a single currency exchange rate of the Ukrainian karbovanets in relation to foreign currencies. With this aim, the Ministry of Foreign Economic Relations is to elaborate and confirm measures to reduce imports. The Cabinet of Ministers is to ensure that talks are held with international financial organizations on bringing closer the date for granting appropriate financial assistance and credits to Ukraine's government in 1994.

4. To resume trading in foreign currency at the Ukrainian Interbank Currency Exchange on 1 October 1994.

5. To establish that revenue in foreign currency benefiting residents, which is subject to compulsory sale (50 percent of the total volume of the revenue), are allocated in this way: 10 percent (at the market exchange rate) to the official currency reserves of Ukraine's National Bank; 30 percent (at the official exchange rate) via the interdepartmental committee for currency utilization priorities; 10 percent (at the market exchange rate) on Ukraine's interbank currency market.

6. The National Bank and Cabinet of Ministers are to work out measures to decentralize Ukraine's interbank currency market.

7. The Cabinet of Ministers in coordination with the National Bank are to amend within 10 days the Regulation on the Interdepartmental Committee for Currency Utilization Priorities, envisaging, in particular, the procedure for acquiring foreign currency to import gas, oil, nuclear fuel, nonferrous metals, plant and animal care

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products, medication, and raw materials for its production, and to repay the state foreign debt and contributions in accordance with Ukraine's international treaties, for the period until a single exchange rate of the karbovanets in relation to foreign currencies is established. The Cabinet of Ministers is to elaborate and approve within 10 days regulations on the procedure for holding competitions of contracts, which, in particular, will envisage the establishment of priorities and corresponding quotas for the allocation of currency; the procedure for appraising contracts; and criteria for their admission to the competition.

It is to be envisaged in the said regulations that the use of currency funds by residents contrary to their designation or in violation of other rules of competition will incur sanctions in the form of a fine three times the size of the amount equivalent to these currency funds, calculated in the currency of Ukraine at the market exchange rate on the day of the transaction. In cases where these residents are state enterprises, their managers will face liability.

8. The National Bank, with the participation of Ukraine's Cabinet of Ministers, is to work out and approve within a month measures to increase control over compliance with the terms and procedure of trading on the interbank currency market, foreseeing relevant sanctions and violations.

9. The Cabinet of Ministers is to review within 10 days the standard procedure for the return of currency proceeds on export contracts, taking account of the types and terms of delivery, methods of payment, and international practice with regard to these issues.

10. This decree takes effect from the day of its endorsement, 22 August 1994.

Defense Industry Minister on Drop in Production

WS2408094894 Kiev DEMOKRATYCHNA
UKRAYINA in Ukrainian 13 Aug 94 p 3

[Article by Viktor Petrov, minister of machine building, military-industrial complex, and conversion: "Machine Building Workers Preserve the Ukrainian Manufacturing Reputation"]

[Excerpt] [passage omitted]

Problems of Conversion [subhead]

In our opinion, the total conversion of the defense industry is the most prominent issue among the numerous factors that have negatively affected the economic situation at our enterprises and organizations. Over 1991-94, the machine building and military-industrial complex experienced changes unprecedented in peacetime. The share of defense industry commodity output within overall machine building output decreased from 22.7 percent to 4.0 percent. The enterprises have virtually been left without orders for production.

For example, special production at the Yuzhnyy Machine Building Factory Production Association in 1991 accounted for 47 percent of overall production in comparative prices, in 1993—10.1 percent, and, according to predictions, will account for 6.7 percent in 1995. The share of defense and special output exceeded 20 percent of the total output of 218 enterprises in the defense industry sector, while at 100 enterprises, defense industry output accounted for 40 percent and more of the total.

In the situation where progressive technologies and the high scientific and technological potential of the defense industry were facing the threat of destruction, defense industry output immediately shrank. Substituting defense products with civilian ones which are competitive and heavily scientific in nature is the key issue of conversion.

In order to give the process of conversion a controlled direction, we have drafted targeted scientific-technical programs providing for an increase in the output of civilian and consumer goods in 22 priority areas of the scientific-technical development. Among the key priorities are the development and production of resource conservation equipment, equipment and machinery for the fuel and power industry, the introduction of resource conservation technologies, and the development of agricultural machinery, food processing equipment, advanced domestic appliances and electronic equipment, medical equipment, and instruments.

In fact, all the scientific and technological potential of our sector was relaunched to produce new types of civilian goods, including substitutes for imported equipment. Since conversion began, Ukrainian research institutes, special design offices, and technical laboratories at factories and plants have launched some 6,500 research projects. Roughly 1,700 of them have already been implemented.

Among the goods that have been developed and put into production are trucks for transporting oil products, refrigerated trucks, "Afromax" tankers, "Tsyklon-2M" and "Olimpia" hydrofoils, gas, steam, and hydraulic turbines, trawler and freezer fish carriers of various types, excavators, buses, trams and trolley buses, washing machines, new agricultural machinery, equipment for bakeries and minibakeries, sausage-making and dairy equipment, minitractors and trailers for them, transformers, gas, water, and electricity meters, domestic radioelectronic equipment, television tubes, television sets, and video recorders.

To my regret, the implementation of integrated scientific and technological programs has been delayed because of uneven financing. In 1993, for example, 231.6 billion karbovanetses [K], or 42.4 percent, out of a planned K548.8 billion was earmarked for scientific research. The situation became worse this year. As of 1 July 1994, K730.5 billion, or 19.3 percent—instead of K3,784.6 billion—was allotted. In the first six months of the

current year, enterprises received only K530,6 billion, or 7.5 percent, out of the planned K7,078 billion in credit lines.

Despite the enormous difficulties caused by the considerable cuts in military orders since 1991, the majority of plants managed to bridle the drop in production almost until the end of 1993. For example, defense industry commodity output in 1993 stood at 100.9 percent in comparative prices against 1992. The process of total drop in production began, however, this January. In the first six months of 1994, the rate of increase in industrial commodity output dropped to 52.3 percent compared with the same period last year. The situation in certain sectors has even worsened. For example, the drop in production in the aircraft industry reached 63 percent, in the electronics industry—61 percent, in the communications and computer sector—59 percent, and in the missile and space industry—55 percent.

A sharp cut in sales of end products at the majority of enterprises leads to a chronic deficit of cash for purchasing raw materials and accessories, and to regular delays in paying wages, whose average can only meet the minimum demands. The chronic shortage of cash among the population has considerably decreased the demand for durables and other consumer goods. This led to an

increase in warehouse stocks of unsold end products from K4.2 trillion, as of 1 January, to K11.5 trillion, as of 1 July.

The enterprises' lack of resources has extremely slowed down the investment process, which has resulted in the rapid obsolescence and wearing out of their basic production equipment. Analysis shows that the cost of energy resources, in comparison with 1991, has increased by a factor of 15.280, and those for machine building products by a factor of 5.915. [passage omitted]

Cabinet Makes New Appointments, Dismissal

*AU2308132394 Kiev URYADOVYY KURYER
in Ukrainian 20 Aug 94 p 2*

[New Cabinet of Ministers "Appointments"; date not given]

[Text] Ukraine's Cabinet of Ministers has appointed Vice Prime Minister MARCHUK, Yevhen Kyrylovych, as head of Ukraine's Cabinet of Ministers National Coordination Council for Combating Drug Abuse;

SKLYAROV, Vitaliy Fedorovych—as adviser to Ukraine's prime minister;

ROHOVYY, Vasyl Vasylyovych, has been dismissed from the post of chief of the Economic Administration in Ukraine's Cabinet of Ministers in connection with his transfer to another post.

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